

Committee on Integration of Co-operative Credit Institutions

- REPORTS OF THE STUDY GROUPS
- REPORT OF THE WORKING GROUP
- STATEWISE ANALYSIS
- SPECIAL STUDY NOTES

agricultural refinance and development corporation
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PREFACE

The Report of the Committee on Integration of Co-operative Credit Institutions was published by the Agricultural Refinance and Development Corporation in September 1976. In Chapter 1 of the Report, the Committee had indicated that a separate volume containing in full (i) the Study Notes prepared by the Secretariat giving state-wise analysis of the co-operative credit movement for the use of the members and (ii) the Reports of the Study Groups and Subject Matter Groups would be brought out.

This publication reproduces the Reports of the Study Groups set up by the Committee in selected states, viz., Orissa, Kerala, Haryana, Uttar Pradesh, Gujarat, Manipur, and Maharashtra in the order in which they were submitted to the Committee.

Besides these Groups, the Committee had also constituted two Subject Matter Groups, namely, (i) a Study Group on Management and Staffing Pattern and (ii) a Working Group on Legal Matters. The Reports of these Groups follow those of the Study Groups.

Apart from these, this volume presents the Study Notes prepared by the Secretariat giving state-wise analysis of the co-operative credit movement for the use of members, in respect of Andhra Pradesh, Bihar, Gujarat, Haryana, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Orissa, Punjab, Rajasthan, Tamil Nadu and Uttar Pradesh.

At the end of the publication, there is a summary of three sample studies conducted by the Agricultural Credit Department, Reserve Bank of India, in Gujarat, Karnataka and Kerala on the effect of overdues on the PACS after integration of credit functions and a quick study conducted by the ACD, RBI in Andhra Pradesh examining the credit support provided by the short-term wing to the long-term wing of the co-operative credit structure in the state.

Before presenting them in this publication, Reports of the various Study Groups/Working Group have been edited suitably in the Secretariat of the Committee without in any way altering or changing the conclusions arrived at by the Groups. The data presented in the state-wise analysis have been updated to the extent possible. Generally they give the financial position of the co-operative credit institutions upto 30 June 1975.

The Committee takes no responsibility for the statistical data and other information contained in the Reports of the Study Groups or the State-wise Notes. The Committee does not also necessarily agree with the views expressed in any of the reports of the Study Groups/Working Group.

Bombay,
31 December 1976.

M. A. CHIDAMBARAM
Managing Director
Agricultural Refinance and
Development Corporation

ABBREVIATIONS

ACD	Agricultural Credit Department of Reserve Bank of India
ADO	Assistant Development Officer
ARDC	Agricultural Refinance and Development Corporation
CAIIB	Certificated Associate of Indian Institute of Bankers
CCB	Central Co-operative Bank/s
CFA	Central Financing Agency/Agencies
DCCB	District Central Co-operative Bank/s
DCDB	District Co-operative Development Bank/s
DPAP	Drought Prone Areas Programme
FSS	Farmers' Service Society/Societies
GOI	Government of India
HYV	High Yielding Variety/Varieties
IBRD	International Bank for Reconstruction and Development
ICCB	Integrated Central Co-operative Bank/s
IDA	International Development Association of the World Bank Group
ISCB	Integrated State Co-operative Bank/s
LAMPS	Large-sized Multi-purpose Society/Societies
LDB	Land Development Bank/s
LIC	Life Insurance Corporation of India
LT	Long-term
LVO	Land Valuation Officer/s
MBO	Management By Objectives

MFAL	Marginal Farmers and Agricultural Labourers Agency/ Agencies
MPCS	Multi-purpose Co-operative Society/Societies
MT	Medium-term
NA	Not available
NPL	Nyaya Panchayat level
PACS	Primary Agricultural Co-operative Credit Society/ Societies
PADB	Primary Co-operative Agricultural Development Bank
PLDB	Primary Co-operative Land Development Bank/s or branch/branches of SLDB in Unitary Structure
RBI	Reserve Bank of India
RCO	Rural Credit Officer
RRB	Regional Rural Bank/s
SBI	State Bank of India
SCB	State Co-operative Bank/s
SCDB	State Co-operative Development Bank/s
SFDA	Small Farmers Development Agency/Agencies
SLDB	State Co-operative Land Development Bank/s
SSC	Secondary School Certificate
ST	Short-term
TADP	Tribal Area Development Programme
VLW	Village Level Worker/s

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REPORTS OF THE STUDY GROUPS
(STATE GROUPS)

relatively good working central co-operative bank, but a relatively less developed long-term credit structure and *vice versa*.

Guidelines for Study

- 1 In the districts selected, the working of the Primary Land Development Banks (PLDB)/branches of the State Land Development Bank (SLDB) should be studied from the point of view of the coverage, the total number of cultivating families and of the different purposes for which they provide long-term loans. It will be necessary for the Group to examine whether there is a preponderance of big farmers among the beneficiary farmers (borrowers) and whether there is a preponderance of loans for a given purpose. If there is any imbalance in either cases, the reasons thereof should be gone into.
- 2 It may be examined whether lack of adequate coverage is on account of lack of supervisory and promotional staff. Here, the nature of duties assigned to supervisors at present and whether they are effectively supervising the end-use of funds have to be examined in detail; the Group may find out how frequently visits are made by supervisors and what kind of post-disbursement/post-investment checks are being made to ensure that the investment is completed as per schedule and is put to optimum use.
- 3 The nature of technical service provided at the bank's level and to what extent the bank is dependent on State Government's help for such a technical service have to be examined. If the bank's own staff are available, give details of the assistance available. The Group may specifically examine to what extent the land development banks have developed expertise in dealing with long-term investment credit.
- 4 If the existing procedure followed by the PLDB is to examine the title to property and scrutinise the technical and economic viability as per pre-determined (accepted) norms in accordance with the detailed instructions given by the central development banks/refinancing agency, the Group may examine whether the work cannot be handled by the branch manager and the other complementary staff of the central co-operative bank; also whether the field staff for supervision over the PACS could not also supervise regularly the beneficiaries of long-term loans so that (i) there will be more continuous and close supervision and (ii) there will be saving in costs by avoiding duplication.

5 It will be necessary for the Study Group to prepare a combined balance sheet and profit and loss account of the integrating units, namely, CCB and the PLDB/branches of the SLDB in the former's area of operation. Thereafter, it has to be examined whether the integration would improve the overall financial position of the combined unit. While studying this aspect, the savings likely to accrue on account of supervisory and other staff, overheads, better management of funds, etc., may be examined. Integration may reduce the expenditure on supervisory staff, the staff for maintenance of accounts and particularly on the meetings of the Boards and general body meetings of the PLDB. The effect of this on the profitability of the combined unit may be favourable. Some savings may result from a better management of funds in that there will be no idle funds earning very little or no interest. For this purpose, it would be advantageous to find out for the last eight quarters, the amounts lying in the current accounts of the PLDB/branches of the SLDB and study generally the flow of funds in the CCB and the PLDB.

6 While studying the coverage of the PLDB/PACS, it will be necessary to prepare a map illustrating the branch network of PLDB/branches of SLDB and the existing PACS in the area to show the relative coverage and distribution of the two wings.

7 It will also be necessary for the Group to make a sample study of some specific PLDB (not more than two per district) to find out whether the beneficiary farmers availing long-term loans from the PLDB have received support from the short-term credit structure through the PACS. For this, it will be necessary to examine the position with reference to atleast five PACS in the area of operation of the selected PLDB. Likewise, the Group may also find out to what extent the borrowing members of the PACS have received support from the PLDB for long-term investments.

8 In each of the districts, five societies with a minimum loan business of Rs. 2.00 lakhs (existing or potential, including long-term loans) may be selected to find out how the viability of the societies would be improved by taking over the additional function of providing long-term loans through them. While working out the viability of the societies, the potential business for the next 5 years would have to be assessed. For this purpose, an interest margin of 1 per cent for the long-term loan at the primary level and 1 per cent at the intermediary level may be assumed. In respect of these societies, the Group may also study whether the overdues of the societies and PLDB/branches

of SLDB (when taken over by the former) will adversely affect the capacity of the PACS to serve as channels for funds, both short-term and long-term. Alongside, the adequacy of the borrowing power may be examined.

9 The Group may also find out whether any other problems would arise by integration of the two wings of the credit structure at intermediary and primary levels taking into account the need to provide comprehensive service to farmers.

10 In this connection, the Group may give its suggestions about the procedures that may have to be adopted if integration is to be brought about at the lowest and intermediary levels. The Group may also suggest specific legal problems arising out of integration, which have a bearing on the Bye-laws, Co-operative Societies Act, Banking Regulation Act, Reserve Bank of India Act, etc., for examination by the Working Group formed for the purpose.

11 Particulars of the districts and the co-operative credit institutions in the district may be collected as per statements 1 to 6* which will be useful to the Group in its study and for giving its observations and findings. After collecting the necessary data, cost analysis statements 7 to 12* may be sent to the Committee for processing.

12 In the ultimate analysis, it has to be examined whether integration would lead to reduction in the cost of operation and improve the overall efficiency of the combined unit. It is quite likely that the cost of operation of an integrated unit in some cases is more or less the same. In such a situation, it has to be examined as to what are the advantages that would accrue through integration in the form of (i) comprehensive service to farmers, (ii) ability to have better management, (iii) overall efficiency in resources mobilisation, deployment of funds, (iv) employment of adequate personnel, etc.

The findings of the studies conducted by the various Groups were backed by field studies conducted by the officers of the RBI, the ARDC and apex level banks. We are happy to present in the following pages the Reports of all the Study Groups excepting that of Jammu & Kashmir Group, which could not be completed in time for the consideration of the Committee. The Reports have been presented in the order in which they were submitted to the Committee.

*Not appended

REPORT OF THE STUDY GROUP
ORISSA

CHAPTER 1
INTRODUCTION

1.1 The Study Group consisted of the following members:

1. Shri G. Venkatanarayana Deputy Director Agricultural Refinance and Development Corporation Bhubaneswar	Convener
2. Shri S. Mishra Registrar of Co-operative Societies Orissa Bhubaneswar	Member
3. Shri V. Suryanarayana Assistant Chief Officer Agricultural Credit Department Reserve Bank of India Bhubaneswar	Member
4. Shri P. Krishnamurthy Assistant Chief Officer Department of Banking Operations and Development Reserve Bank of India Bhubaneswar	Member
5. Shri F. C. Panda Managing Director Orissa State Co-operative Bank Ltd. Bhubaneswar	Member
6. Shri N. Biswal Managing Director Orissa State Co-operative Land Development Bank Ltd. Bhubaneswar	Member
7. Shri S. G. V. Ramanan Member-Secretary of the Committee and Director Agricultural Refinance and Development Corporation Bombay	Co-ordinating- Member

1.2 The Group selected, in consultation with the Registrar and the state government, Bolangir and Ganjam for detailed study, taking into account the norms indicated in the guidelines issued to the Study Group. The two districts had certain contrasting features. For instance, Bolangir had relatively small area under irrigation. But Ganjam had larger area under irrigation as compared to the state average. Both the short-term and long-term credit wings in Bolangir district were operationally weak and on account of the heavy overdues, fresh lendings under short-term as well as long-term had been considerably reduced. In Ganjam, the position was much better in both the wings.

1.3 Field studies were undertaken by the Group between 11 and 16 December 1975. Information was also collected and compiled as per the proformas set by the Committee for the purpose. Data giving the general particulars of the districts are given in Statements 1 and 2; the financial particulars of the two CCB are given in Statements 3 and 4. The Group held 4 meetings including the first informal meeting. The final meeting was held on 9 March 1976. Shri P. S. Rao, Additional Registrar, Co-operative Societies, Orissa also participated in the field studies and the meetings of the Study Group. Shri B. R. Shetty, Director, ARDC, Bhubaneswar participated in the final discussions. In the absence of Shri G. Venkatanarayana who had proceeded abroad for training, Shri A. P. Mukundan, Deputy Director, ARDC, Bombay actively helped the Group in finalising the findings and drafted the report.

CHAPTER 2

FIELD STUDY RESULTS

Certain Features of the Selected Districts

Agricultural Situation

2.1 Bolangir and Ganjam are predominantly agricultural districts like other districts in the state and share most of the common characteristics of the state in regard to the cropping pattern and other aspects of rural economy. Certain statistical particulars relating to the two districts are given in Statements 1 and 2. Bolangir had two distinct physical zones,

the hills of the west and the river valleys of the east. The eastern part witnessed confluence of many tributaries of the Mahanadi. The western part of Ganjam was also mountainous and formed part of the eastern ghat area while the eastern part of the district was in the coastal plain. Bolangir had a geographical area of 883 thousand ha and a population of 12.64 lakhs, which were lesser than Ganjam's area of 1220 thousand ha and 22.94 lakh population. But Bolangir had a net sown area of 482 thousand ha which was more than the net sown area of Ganjam district at 429 thousand ha. This difference was reflected in the pattern of ownership and size of operational holdings. In Bolangir, cultivators formed 57.8 per cent of rural workers as against 44.8 per cent in Ganjam. On the contrary, in Ganjam 34.5 per cent of rural workers were agricultural labourers as against 29.1 per cent in Bolangir. The average sizes of operational holdings in Bolangir and Ganjam were 2.93 ha and 1.30 ha respectively, on either side of the state's average of 1.89 ha. Average number of parcels of land per holding was 2.37 in Bolangir as against 3.02 in Ganjam and, thus, the lands in Ganjam were more fragmented than in Bolangir.

2.2 Ganjam district had better irrigation facilities than Bolangir district. According to the official estimate (as given in the *Report on the Agricultural Census of Orissa, 1971*) the irrigated areas aggregated 54 thousand ha in Bolangir and 142 thousand ha in Ganjam. The percentage distribution of irrigation sources given below would indicate that Ganjam had succeeded in tapping more of ground water than Bolangir.

TABLE 1

Sources of irrigation	As percentage of total in		
	Bolangir	Ganjam	State
(1) Canals and flow	80.5	41.3	70.6
(2) Tanks	16.7	43.9	20.6
(3) Tubewells	0.1	3.0	1.8
(4) Wells	2.1	4.7	1.6
(5) Other sources	0.6	7.1	5.4

Though the net sown area was comparatively less, due to better irrigation facilities, Ganjam had 670 thousand ha of gross cropped area as compared to 591 thousand ha in Bolangir.

2.3 A more recent estimate of the extent of land under irrigation in the two districts with projections for the next few years is given in Statement 5.

2.4 Both the districts are covered by SFDA; they have also sizeable scheduled tribe and scheduled caste population besides a good number of agricultural labourers.

Co-operative Credit Structure

Short-term Wing

2.5 The Bolangir CCB through its 219 affiliated PACS covered a membership of 119 thousands (as on 30 June 1974) which formed about 41 per cent of the total number of 252 thousand rural households. However, the actual number of members who borrowed during the year 1973-4 was only 13 thousands, as against the indebted membership of 106 thousands out of whom 80 thousands were defaulters. The recoveries at the levels of the PACS and the CCB formed only 17 and 50 per cent, respectively of the demands during the year 1973-4. As against an estimated annual production credit of over Rs 320 lakhs (Statement 6) expected to be met by the societies, the actual credit disbursed by the primaries during 1973-4 was only of the order of Rs 59 lakhs. The total short-term loans outstanding were Rs 187 lakhs.

2.6 The average loan business per society was about Rs 130 thousands (outstanding) as on 30 June 1974. As many as 47 societies had loans outstanding exceeding Rs 2 lakhs each and 99 societies between Rs 1 lakh and Rs 2 lakhs. Only 73 societies had loans outstanding of less than Rs 1 lakh each as on 30 June 1975. Thus, most of the societies were potentially viable and could be developed into viable business institutions if steps were taken for better effective coverage and business turnover. This called for concerted extension work particularly in view of the fact that about 65 thousand or more than half of the enrolled membership belonged to the scheduled tribes and scheduled castes.

2.7 In Ganjam district, there were 530 PACS affiliated to the two CCB—Aska and Berhampore. The number of societies in this district was the largest for any district in the state and formed about one-sixth of the total number of societies functioning in the state. The coverage of membership during 1973-4 was 159 thousands which formed only 34 per cent of the rural households estimated at 464 thousands. The effective coverage was only 62 thousands (indebted). Those who borrowed during the year were only 45 thousands. The membership coverage was lesser in Ganjam as compared to Bolangir but the proportion of borrowing members to indebted members was higher than that of Bolangir. The recoveries were 61 per cent of demand at the PACS

level and 66 per cent at the CCB level. The total short-term production credit outstanding against members was Rs 298 lakhs as on 30 June 1975 in the district. The average credit business per society was only slightly in excess of Rs 1 lakh as on 30 June 1975. In contrast to the position in Bolangir, as on 30 June 1975, only 15 societies in Aska area and 19 in Berhampore area had loans exceeding Rs 2 lakhs each; 71 and 96, respectively in the two areas had loans between Rs 1 lakh and Rs 2 lakhs. As many as 379 societies in the district had loans of less than Rs 1 lakh.

Long-term Wing

2.8 In Bolangir District, there were 4 PLDB, namely, Bolangir, Sonepur, Patnagarh and Titlagarh, covering the five tehsils of the district. The banks' loans outstanding as on 30 June 1975 amounted to Rs 59 lakhs, Rs 44 lakhs, Rs 36 lakhs, and Rs 72 lakhs, respectively. All the banks could be considered viable as the loans had exceeded a minimum level of Rs 35 lakhs in each of the banks. However, the overdues of all banks exceeded 60 per cent of demand and after availing the benefits of relaxations allowed for reckoning loan eligibility, only 2 banks qualified for restricted refinance and the other two were totally ineligible for refinance during 1975-6. The total number of indebted members in the PLDB was only 8 thousands or only 3 per cent of rural households and only about 8 per cent of the borrowers of the PACS at 106 thousands.

2.9 In Ganjam district, there were 5 PLDB—Aska, Bhanjanagar, Berhampore, Chhatarpur and Parlakhemundi. The total overdues formed 46 per cent of demand. Two banks had unrestricted eligibility for lending programme and refinance, and the remaining three banks had restricted eligibility. By business standards, the banks could be considered viable. The total loans outstanding in all the 5 banks amounted to Rs 380 lakhs. As against 271 thousand cultivating households, the borrowing membership was only less than 22 thousands or about 8 per cent (and only about 13 per cent of the indebted members of the PACS).

2.10 In regard to co-related coverage examined in the case of the PLDB and selected PACS, a large number of borrowers who had availed themselves of long-term loans had not taken production credit and *vice versa*. For instance, out of 219 members of Aska PLDB belonging to the areas of 5 PACS, only 151 were members of the latter and out of them only 85 had borrowed. In Bolangir bank, out of 82 members belonging to the area of one PACS, only 36 were members of the

latter and 19 had borrowed. Thus, the support lent by ST wing to LT wing and *vice versa* is poor. The summary position in a few PACS/PLDB is given in Statements 7 and 8. While availment of investment credit by borrowers of the PACS depends upon several factors such as felt need, eligibility, etc., and cannot be invariably ensured in a good number of cases, for borrowers of investment credit, availability of production credit would be very necessary in order to ensure that the anticipated cropping patterns were actually adopted and income realized so as to justify the assumed repaying capacity. The main reasons for the inadequate coverage and support were the following :

- (i) lack of co-ordination between the two wings;
- (ii) lack of extension staff and extension work; and
- (iii) reluctance on the part of the cultivators to incur heavy debt burden by availing themselves of different types of credit.

2.11 The advances of the PLDB were mostly for productive purposes, particularly minor irrigation which accounted for 80 per cent of the total advances in Bolangir and about 65 per cent in Ganjam. The next important purpose was land reclamation contributing about 7.5 and 14 per cent, respectively. Advances to small farmers with holdings of 2 ha each constituted about 30 per cent in Bolangir and 35 per cent in Ganjam.

2.12 It may, thus, be observed that in Bolangir district both the credit wings were weak but the weakness was more due to operational failures such as inadequate coverage, low levels of business, heavy overdues, etc., than to organizational defects. In Ganjam, the credit institutions were somewhat better than those functioning in Bolangir district, but here too, operational weaknesses existed and the large number of societies made them individually smaller. In both the districts, coverage of rural households was very poor. In spite of the fragmented nature of holdings, the preponderance of small and medium farmers, and the large proportion of scheduled tribe and scheduled caste population, there was no co-ordinated arrangement for providing all types of credit and allied services at a single accessible contact point. Procedures of lending were cumbersome and there was need for large amount of extension work.

Loan Procedures and Staffing

2.13 The PLDB and the PACS were not strictly adhering to the procedures laid down under the production-oriented system of lending followed elsewhere in the country. As there was no provision for establish-

ment of title by public enquiry system, the procedure in this regard was rather time-consuming and cumbersome in the long-term wing. The staff mainly consisted of departmental sub-assistant registrars on deputation and other under-qualified lower level staff appointed by the CCB and the PLDB.

2.14 The present staff position and salary scales in the three central co-operative banks are given in Statement 9. There was no uniform staff or salary pattern. The scales of pay were also relatively poor. The staff position in the PLDB was also not adequate. There were only about 276 supervisors now available for all the 55 banks covering 314 blocks in the State. The state government considered that there should be at least 628 supervisors at the rate of 2 per block. The duties assigned to supervisor included processing of loan applications, verification of utilization of instalments and recovery of instalments. While there was no long delay in regard to processing of fresh applications, there was much delay in conducting verification of utilization of the end-use of loan instalments; post-investment checks were rarely being attended to. There were no technical personnel in the banks and for their requirements they depended on the officials of the government departments who had often to attend to other items of work also in preference to the banks' work. The staffing pattern in the PLDB is given in Statement 10.

CHAPTER 3

PROJECTIONS

Anticipated Credit Coverage

3.1 The gross production credit potential in the state is estimated at over Rs 106,00 lakhs (Statement 6) and it is anticipated that the co-operatives would meet about 40 per cent of this by the end of the Fifth Plan. This agrees with the estimates of the Expert Group on Institutional Credit that co-operatives in the state would provide production credit of about Rs 43,00 lakhs. According to the district-wise break-up as given in Statement 6, the credit targets for co-operatives in Bolangir and Ganjam districts would be fixed at Rs 320 lakhs and Rs 400 lakhs, respectively. As against these, the actual disbursements of credit by the

societies were only Rs 59 lakhs and Rs 246 lakhs, respectively in the two districts during 1973-4. Assuming that the primaries would achieve the target disbursement, the outstandings at the end of June 1979 may in the aggregate be around Rs 270 lakhs and Rs 350 lakhs, respectively, as against Rs 187 lakhs and Rs 298 lakhs, respectively as on 30 June 1975.

3.2 In regard to investment credit, the state has quite a large potential. According to a report of the groundwater survey, the total investment required in order to fully exploit the available groundwater potential was of the order of Rs 750,00 lakhs. Minor irrigation will continue to be the major purpose of long-term financing although there is fairly good scope for coconut plantations, fisheries, dairying, etc., also. Schemes with total outlays of Rs 171 lakhs for Bolangir and Rs 147 lakhs for Ganjam have already been sanctioned by the ARDC. These schemes will be put through within the next 3 years. Further IDA and other ARDC schemes are also being contemplated. Side by side, there would be scope for limited normal scheme financing and medium-term credit also.

3.3 The aggregate position of ST and LT credit may be estimated as under :

TABLE 2

		Rs Lakhs	
		Bolangir	Ganjam
Existing level of LT loans	:	210	380
Existing level of MT loans	:	19	53
Add Additional investment credit in ARDC scheme areas	:	171	147
Total	:	400	580
Less Anticipated recoveries	:	82	167
		318	413
Add LT loans in non-scheme areas and MT loans (approximate)	:	82	87
Net	:	400	500

3.4 The PACS in Bolangir had shown an involvement of Rs 72 lakhs from their own resources in all types of loans to individual borrowers as on 30 June 1975. The involvement of the societies in Ganjam district amounted to Rs 86 lakhs. The advances, involvement and borrowing requirements of the societies after integration may be projected as follows :

TABLE 3

		Rs Lakhs	
		Bolangir	Ganjam
1. ST advances outstanding	:	270	350
2. LT and MT credit	:	400	500
3. Total	:	670	850
4. Investment from own resources of primaries*	:	70	80
5. Net borrowings required	:	600	770
6. Out of (5), for ST	:	200	270
7. Out of (5), for LT	:	400	500

*The assumption is that the involvement would be in short-term credit only.

3.5 With the attainment of the above level of lending, the average loan outstanding of the PACS in Bolangir will be Rs 3.2 lakhs and in Ganjam Rs 1.6 lakhs. A projected income and expenditure position of a viable society is given in Statement 11. With an average business of Rs 1 lakh under ST production credit and Rs 2 lakhs under investment credit, the societies can earn a minimum profit of Rs 5,000 at the rate of 3 per cent margin on the former and 1 per cent on the latter. When the societies attain the level of Rs 2 lakhs each under the two items, the profit will be Rs 8,000. In addition, income from non-agricultural credit business and by way of admission fees, etc., would be available. The societies with such levels of business will be able to satisfy the criteria of viability such as appointment of a full-time paid secretary without depending on state government subsidy. In other cases, the state government may have to continue its programmes of providing tapering subsidies. Even with LT business, the average loan business is likely to be low in Ganjam because the number of societies is large, i.e., over 500 (for a credit of Rs 850 lakhs) as against over 200 PACS in Bolangir (with a credit business of Rs 670 lakhs). However, with an increase in credit requirements arising from better irrigation facilities and the scope for financing non-agricultural sectors like rural artisans and agricultural labourers, distribution business, etc., the societies in Ganjam also will be able to function as viable units. Results of specific studies made in respect of viability of certain societies after integration confirmed the assumptions made above. In suitable cases extension of areas of operation by amalgamation of neighbouring societies may have to be considered in Ganjam district where re-organization was rather incomplete.

3.6 Based on the resource requirements of the PACS as estimated above, the projected resources and lending patterns of the integrated district banks are given below along with the existing position of the relative items.¹

TABLE 4

Rs Lakhs

	Bolangir		Ganjam	
	Existing	Projected	Existing	Projected
Liabilities				
1. Paid-up capital	51	70	125	145
2. Reserves*	15	20	46	55
3. Deposits	51	80	399	500
4. Borrowings (a) ST	30	140	49	90
(b) LT	222	368	368	300
Total ²	369	668	987	1090
*Increase mostly by appropriation of already accumulated profits.				
Assets				
1. Liquid resources	35	40	125	200
2. Share-holdings in apex bodies	12	20	80	100
3. Loans (a) ST	97	200	265	270
(b) LT	210	400	380	500
4. Fixed assets, etc.	1	8	7	20
Total ²	355	668	857	1090

3.7 Both the integrated banks will have adequate owned funds base and also fair margin of reserve borrowing power to provide for borrowings for other purposes in respect of which, there may be no or reduced share linking. The banks will also be able to maintain adequate non-overdue cover for short-term credit. Assuming that the banks have 6 and 10 branches, respectively in Bolangir and Ganjam districts, each branch is likely to have a minimum credit business of Rs 100 lakhs on an average, if account is taken of the likely credit for non-agricultural sector as also for non-credit activities. The composite bank as well as each of its branches will become strong and viable.

3.8 The above observations will, by and large, be valid even if Aska and Berhampore banks continue to exist as separate entities as at present.

Working Expenses and Economies

3.9 The staffing pattern for Head Office and the branches of the integrated banks in the two districts considered as desirable by the

¹Consolidated balance sheets and profit and loss accounts of the CCB and the PLDB in the two districts as on 30 June 1975 are given in Statements 12, 13, 14 and 15.

²Existing assets and liabilities will not tally due to exclusion of certain items.

Study Group is given in Statement 16. A comparative position of existing and proposed patterns is given in Statement 17. The annual salary and allowances as per projected pattern will aggregate Rs 7.50 lakhs in Bolangir and Rs 12.00 lakhs in Ganjam. Provisions for travelling allowances, provident fund contribution, etc., and also the total establishment costs are estimated at Rs 10 lakhs and Rs 18 lakhs, respectively for the two districts.

3.10 In regard to interest, the borrowing and lending rates are assumed at the present rates of $8\frac{3}{4}$ per cent and $11\frac{1}{2}$ per cent for production credit which give a margin of $2\frac{3}{4}$ per cent for the CCB. For investment credit, a margin of 1 per cent each for the apex bank, the district level bank and the PACS is considered reasonable. Accordingly, the borrowing and lending rates will be $8\frac{1}{2}$ per cent and $9\frac{1}{2}$ per cent, respectively at the intermediate level. The Study Group feels that the intermediate level institutions should have a minimum margin of 1 per cent.

3.11 On the above basis, a projected income and expenditure position for the two integrated banks is given below :

TABLE 5

	Rs Lakhs			
	Bolangir		Ganjam	
	Present	Projected	Present	Projected
Income				
1. Interest on ST advances at $11\frac{1}{2}$ per cent (calculated on June outstandings taken as average)	29	23	69	32
2. Interest on LT advances at $9\frac{1}{2}$ per cent		38		47
3. Interest on investments	1	2	9	10
4. Other income (admission fees, valuation fees, etc.)	1	2	1	2
	31	65	79	91
Expenditure				
1. Interest on deposits	3	5		25
2. Interest on ST borrowings at $8\frac{1}{4}$ per cent	16	12	48	8
3. Interest on LT borrowings at $8\frac{1}{2}$ per cent		22		25
4. Establishment cost	6	10	14	18
5. Other expenditure	2	2	6	10
	27	61	68	86
Profit	4	4	11	5

3.12 The over-all position is that in the case of Bolangir district, in spite of reduced margin available on long-term advances, increased overheads on account of better technical and supervision staff being posted after integration, the profitability of the integrated unit remains about the same. In Ganjam, however, the profitability is somewhat reduced because of comparatively lower increase in short-term credit business. It can be expected that profitability will be improved after the bank increases its short-term business.

CHAPTER 4

ADVANTAGES OF INTEGRATION

4.1 The major advantages of integration of the two wings of the co-operative credit structure in the state are given below :

(i) The primary objective of the integration of the credit institutions at the base level is to enable the provision of all types of credit and allied services to the ultimate borrowers at a single accessible contact point. Apart from being a national policy, such service is all the more needed in a state like Orissa with a large number of backward and small farmers, low density of population, fragmented holdings and underdeveloped agriculture.

(ii) As a result of integration of business, the base units will attain viability. The base level organizations in Orissa have certain inherent basic advantages. There was no problem of overlapping jurisdiction of societies to any significant extent. Most of the societies have full-time paid secretaries although some of them are not properly qualified. Further, most of the societies have received government share capital contribution. The nucleus network is already there and the integration will tone it up.

(iii) The intermediate level organizations will also become viable and strong units with adequate owned funds and borrowing power. It may be observed from the projected balance sheets that the integrated banks will have loan business of about Rs 600 lakhs and Rs 770 lakhs, respectively. With advances for non-credit purposes, the outstandings may be of the order of Rs 650 lakhs and Rs 1,000 lakhs. Each branch will have an average loan business of Rs 100 lakhs. Most of the individual

branches also would, therefore, be self-supporting. As each branch has been provided with an Assistant Executive Officer, a Technical Officer, an Assistant Law Officer and Assistant Development Officers, the entire loan processing work, control over field staff and sanctioning of loans can be attended to/done at the branch level. The existing and proposed patterns of staffing at the head office, branches and for field work is briefly indicated below :

TABLE 6

	Existing ¹		Proposed			
	Bolangir	Ganjam	Bolangir		Ganjam	
			HO	Branches	HO	Branches
1. Managerial						
(a) Technical	1	1	2	6	3	10
(b) Others	16	39	8	42	10	70
2. Field/Supervisory						
(a) Assistant Development Officers	Nil	Nil	Nil	12	Nil	20
(b) Supervisors	44	138	Nil	40	Nil	80
3. Clerical	51	104	14	24	27	40

¹Combined position of Head Office and Branches.

(iv) Improved image and status of the branches will help in attracting more rural savings in the form of deposits.

(v) Although the total number of field staff may have to continue without any major reduction, the appointment of qualified supervisors in properly delimited areas of functioning, will eliminate the need for multiple agency supervision in the same area by the field staff of the two wings separately and, therefore, better manpower utilization will be effected. When the procedures for assessment of income and repaying capacity are simplified as a result of laying down standard crop-wise norms, etc., for different regions, and valuation is done on a more scientific basis by capitalising the assessed income, much of the work done by valuing officials will be capable of being done at the desk in branches and the function of field supervision will tend to be less technical and less time-consuming. The norm of two supervisors per block as suggested by the state government for the existing PLDB is considered suitable for the integrated bank also. The supervisors will be assisted by the society staff also in their work. Further, extension work

will be attended to by Assistant Development Officers. The average number of fresh long-term loan cases per supervisor is not likely to be large. During 1973-4 the PLDB in Orissa sanctioned loans to 11,903 members. The average per block would work out to 38 only. Even providing for 100 per cent increase, the number may be only 80 per block or 40 per supervisor. As regards production credit, each supervisor will have to be in charge of the members of an average number of 5 PACS in Bolangir and 8 PACS in Ganjam. As the loans are sanctioned on the basis of credit limit statements, this will not be considered as a heavy work-load. Because of the reduced work-load in terms of number of societies covered and number of loan applications, there will be a qualitative improvement in their work and adequate time will be available for additional items of work devolving on them.

(vi) Technical and banking supervision as well as scrutiny and disposal of most loan cases will be done at branch level and, therefore, processing of loan applications will be made speedier. With this end in view, substantial delegation of powers to branches is envisaged.

(vii) It has been provided that each bank should have a general manager/secretary of the Deputy Registrar's status. Similarly, each branch will have a branch manager of sufficiently high status as against the present system of manning by low-paid staff in certain branches of the CCB. The improved scales will attract more qualified and trained personnel for permanent service with the banks, and the banks can build up a cadre of key personnel of their own without depending upon the Department of Co-operation.

(viii) An important feature in regard to the benefits arising out of the integration of the two wings in Orissa is that the advantages are shared by both the wings. The short-term wing, particularly the PACS, will attain viability which has not been possible even after so many years' efforts at re-organization and re-vitalization. Many societies are not having properly qualified secretaries. They can be replaced by more qualified persons and the existing persons can be absorbed suitably. As observed by the Overdues Study Team, the availability of qualified staff and a higher level of business are considered factors that contribute to better management and recovery performance.

(ix) The division of the overdues of the PLDB among a large number of PACS will bring about clearer and more compact demarcation of weak and strong areas and the weakness of a particular area with heavy overdues will not affect the entire tehsil or sub-division.

(x) The PLDB at present receive finance from the SLDB and some of them often keep idle balances. Many banks were maintaining cash and bank balances on an average between Rs 1 lakh and Rs 2 lakhs.

This amount will be reckoned as eligible liquid assets/cash reserve of the integrated bank and to this extent, funds need not be locked up but will be available for business.

(xi) There can be concerted and unified action by means of persuasion or otherwise for recovery of the production credit as well as instalments of investment credit from defaulters in the different villages.

(xii) Integration will enable co-ordinated and more effective utilization of the services of the non-official co-operators at the various levels. In the place of the managing committees of the PLDB, branch committees of the integrated district bank will function exercising wider powers of sanctioning production credit limit statements submitted by the PACS and also investment loans. There will be close association between the branch committees and the managing committees of the PACS on the one hand and between the branch committees and boards of the district level banks on the other.

CHAPTER 5

LIKELY PROBLEMS

5.1 The following problems are likely to arise as a result of integration during the transition stage:

(i) Special provisions may have to be made for the bad and doubtful and other sticky debts of the PLDB transferred to the PACS.

(ii) In areas where commercial banks had taken over the PACS for routing agricultural finance, the former are not likely to accept the outstanding long-term loans and it will also be difficult for the district level banks to realise the loan dues when they are not linked to the recovery of current production credit dues.

5.2 Incidentally, it was also observed that the interest rates should be made uniform for medium-term and long-term lendings for similar purposes.

CHAPTER 6

PRINCIPLES/PROCEDURES TO BE ADOPTED

6.1 Integration will in effect amount to the division and merger of functions, membership, finances, and staff of the PLDB with those of the PACS/CCB as the case may be.

Functions

6.2 As the objective behind the integration itself indicates, the lending functions of the PLDB will be handed over to the PACS but the final processing of applications, valuation, assessment of repaying capacity, supervision, etc., will vest in the district level organization. The PACS will contribute their share to the extent specified in the detailed procedures to be laid down for operational purposes. Floatation of debentures and other items of work now attended to by the SLDB, will continue to be attended to by the apex bank whether integrated at that level or otherwise. However, the loan-sanctioning power will be fully delegated to the district level banks irrespective of the purposes and amounts involved. The SLDB or the integrated apex level institution should only lay down detailed guidelines and procedures and satisfy itself by test verification that the loans have been disbursed properly.

Membership

6.3 The Study Group considered the alternatives of transferring the existing membership of the PLDB to the CCB as well as PACS. The former will necessitate amendments to the Co-operative Societies Act and Rules because the existing provisions do not allow individual membership in the CCB. Even if the statute is amended, several problems may arise relating to the representation of the individual members in the general body meetings and Board of Management. In any case such membership will have to be only a transitional feature and will be self-eliminating when the long-term loans of the individual members are closed. Most of these members will be simultaneously members of the PACS in their respective areas for obtaining production credit. Therefore, the question of accessibility of the members to the primary societies does not pose any problem. Considering all relevant aspects of the issue, the Study Group felt that it was more appropriate particularly in the interest of co-ordination that existing members of the PLDB should be transferred to the respective PACS with their share capital and loan outstandings. On closure of the long-term loans, the members should not be compelled to keep on their large share holdings in the PACS simply for

the reason that they are not allowed in terms of their bye-law provision to refund more than a stipulated proportion of the total paid-up capital during any year. For this, the restriction should be relaxed or removed by appropriate amendment of the relevant clause.

Finances

6.4 The finances of the PLDB should be transferred to the respective CCB, subject to the exception that the paid-up capital and loans outstanding and accrued or overdue interest should be transferred to the concerned PACS and consequently the PACS should be required to show matching dues to the CCB.

Staff

6.5 A special Committee will have to be constituted to consider and recommend to the Registrar the principles governing integration of staff, equating of posts, unification of scales of pay, fixation of pay in the scales, etc. The implementation of the staff integration will have to be looked after by a district level committee.

Legal Problems

6.6 The following matters may require examination from the legal point of view.

(i) Transfer of membership of the PLDB with part of the assets and liabilities to the PACS and transfer of the remaining assets and liabilities and staff to the CCB without transferring any share of the accumulated reserves to the PACS.

(ii) Vesting of existing mortgages of the PLDB and future mortgages collected by the PACS in the respective district and apex level banks.

(iii) Extension of the provisions in the Co-operative Societies Act now applying to the PLDB to the PACS in future.

(iv) Compulsory division and merger of the assets and liabilities of the PLDB without a preliminary enquiry by the Registrar (at present compulsory amalgamation can be ordered only after a preliminary enquiry).

(v) Simplification of loan sanction procedures and legal scrutiny. The state government may have to effect far-reaching amendments to the Co-operative Societies Act and Rules and also to draw up model bye-laws before proceeding to integrate the existing institutions. It is presumed that these issues will receive the attention of the Working Group on Legal Matters.

CHAPTER 7

CONCLUSIONS

7.1 The Study Group was unanimously in favour of recommending integration of institutions at the intermediate and primary levels, in principle. A point for consideration was whether the integration should be experimental and in a phased manner or complete and simultaneous. The Group was in favour of the latter course. There was no need for delay if the PACS were working properly and their financial position was not unsound, even if the business level was low in some cases. In many cases, the loan outstanding had already reached Rs 1 lakh and above and, therefore, with the transfer of long-term loans most societies would prove viable units. In areas where PACS were ineffective, new societies should be organised or the intermediate institutions should take up direct lending as a transitional measure. This is already recommended by the RBI and the GOI for the purpose of providing production credit by the CCB in the areas of weak PACS even at present. Therefore, it will not be necessary to retain the PLDB even in such areas. District level committees should be formed to identify the PACS which can immediately take up long-term lending and also the PACS which are weak and ineffective. The entire work relating to the preparations for integration and implementation of the same should be placed in the charge of a senior officer in the Co-operation Department appointed solely for the purpose.

7.2 The Study Group has not dealt with the question of integrating the apex level institutions as it was outside the terms of reference. However, some members of the Group were of the view that integration was necessary at the apex level also to obviate dual supervision, increased overheads, etc.

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N. Biswal

F. C. Panda
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V. Suryanarayana
S. G. V. Ramanan

Bhubaneswar
9 March 1976

STATEMENT 1
GENERAL PARTICULARS OF BOLANGIR DISTRICT

Items		Particulars	
1.	Area in square kilometres	23,136	
2.	Total population	12,63,657	
3.	Of which, rural	11,76,994	
4.	No. of taluks/tehsils	5	
5.	No. of NES blocks	20	
6.	No. of centres with population exceeding 10,000	Bolangir, Patnagarh and Titlagarh towns	
7.	Number of villages	2,523	
8.	Area under cultivation	Ac. 12,88,286	
9.	Of which, area irrigated	Ac. 1,33,000	
10.	Area under different crops (Ac.)		
	(a) Paddy	7,42,955	(f) Fibres 11,349
	(b) Wheat	4,176	(g) Sugarcane 8,482
	(c) Other cereals	1,04,925	(h) Fruits & vegetables 79,763
	(d) Pulses	1,61,993	(i) Tobacco 674
	(e) Oil seeds	54,249	(j) Other crops 1,19,720
			12,88,286
11.	Size-wise distribution of holdings	No.	Area
	(a) 2½ acres and less	35,860	71,723
	(b) More than 2½ acres but less than 5 acres	36,970	1,47,892
	(c) More than 5 acres but less than 7½ acres	28,840	2,01,889
	(d) More than 7½ acres but less than 10 acres	11,435	1,08,797
	(e) More than 10 acres	34,165	7,57,588
12.	No. of branches of commercial banks	12	
13.	Deposits with commercial banks (Rs lakhs)	—	
14.	Advances made by the commercial banks for agriculture	Rs 12.22 lakhs	
15.	Others	—	

STATEMENT 2

GENERAL PARTICULARS OF GANJAM DISTRICT

Items	Particulars
1. Area in square kilometres	12,527
2. Total population	22,93,808
3. Of which rural	20,33,952
4. No. of tehsils	10 Tehsils (4 sub-divisions)
5. No. of NES blocks	29
6. No. of centres with population exceeding 10,000	7
7. Number of villages	4,757
8. Area under cultivation (ha)	4,44,000
9. Of which, area irrigated (ha)	1,42,000
10. Area under different crops (ha)	
(a) Paddy	3,63,350
(b) Wheat	946
(c) Millets	18,494
(d) Cotton	—
(e) Groundnut	18,580
11. Size-wise distribution of holdings	N.A.

PARTICULARS OF BOLANGIR DISTRICT CO-OPERATIVE CENTRAL BANK
AS ON 30 JUNE 1975

Items	Particulars
1. Paid-up share capital	36.77
2. Statutory reserve	3.66
3. Other reserves and funds	11.15
4. Deposits	49.22
5. Borrowings	89.16
6. Cash on hand	4.08
7. Balances in current account with banks	8.11
8. Call and fixed deposits	11.67
9. Investments in government and trustee securities	4.06
10. Other investments	3.72
11. Loans and advances:	
(a) Short-term agricultural	93.89
(b) Medium-term agricultural	27.93
(c) Medium-term conversion	34.03
(d) Loans to other societies	8.56
(e) Loans to individuals	—
(f) Total loans	164.41
12. Buildings and other fixed assets	0.72
13. Accumulated profit	0.74
14. Dividend declared for the previous year (1973-4)	Nil
15. Number of branches	3
16. Particulars of staff:	
(a) Secretary	1
(b) Branch managers	3
(c) Accountants and other clerical staff	3
(d) Class IV staff	27
(e) Supervisors/field inspectors	25
	S/V M.D.O. 1
	S.F.D.A. Ins 12 S.A.E. 1
	Steno 1
	S.F.D.A. Insp. Govt. 10 Cashier 4
	S.A.R.C.S. 3 Watchmen 4
(f) Average charge per supervisor	10 societies

STATEMENT 4

PARTICULARS OF THE CENTRAL CO-OPERATIVE BANKS IN GANJAM DISTRICT
AS ON 30 JUNE 1975

Rs Lakhs

Items	Particulars		
	Berhampore	Aska	Total
1. Paid-up share capital	54.34	38.50	92.84
2. Statutory reserve	10.01	4.54	14.55
3. Other reserves and funds	17.27	11.13	28.40
4. Deposits	133.77	115.29	249.06
5. Borrowings	89.82	72.91	162.73
6. Cash on hand	3.32	8.27	11.59
7. Balances in current account with banks	26.26	14.25	40.51
8. Call and fixed deposits	145.80	1.50	147.30
9. Investments in government and trustee securities	36.19	9.85	46.04
10. Other investments	55.90	37.40	93.30
11. Loans and advances:			
(a) Short-term agricultural	141.41	85.46	226.87
(b) Medium-term agricultural	180.65	81.98	262.63
(c) Medium-term conversion	8.51	10.12	18.63
(d) Loans to other societies	17.70	9.84	27.54
(e) Loans to individuals	6.51	5.77	12.28
(f) Total loans	354.78	193.17	547.95
12. Buildings and other fixed assets	6.62	1.13	7.75
13. Accumulated profits	6.32	2.50	8.82
14. Dividend declared for the previous years (per cent)	2	$\frac{1}{2}$	
15. Number of branches	7	5	12
16. Particulars of staff:			
(a) Manager/Secretary	4	2	6
(b) Asstt. Managers/Branch Managers/Agents	7	7	14
(c) Accountants and other clerical staff	31	29	60
(d) Class IV staff	48	30	78
(e) Supervisors/field inspectors	62	32	94
(f) Average number of societies per supervisor	6	6	6

STATEMENT 5

PROJECTION OF IRRIGATED AREA IN BOLANGIR AND GANJAM DISTRICTS

In hectares						
Source	Season	1975-6	1976-7	1977-8	1978-9	1983-4
1	2	3	4	5	6	7
A. BOLANGIR DISTRICT						
MAJOR & MEDIUM	K	43,430	43,430	46,340	46,340	75,480
	R	18,660	18,660	23,300	23,300	23,300
MINOR (a) Flow	.. K	7,332	7,606	7,722	7,837	9,181
	R	1,833	1,902	1,930	1,959	2,295
	.. K	7,266	7,266	7,266	7,266	7,266
	R	4,778	4,778	4,778	4,778	4,778
Total	K	58,028	58,302	61,328	61,443	91,927
	R	25,271	25,340	30,008	30,037	30,373
WITH PROJECTS						
MAJOR & MEDIUM ..	.. K	43,430	43,430	56,340	75,480	75,480
	R	18,660	18,660	23,300	23,300	23,300
MINOR (a) Flow ..	.. K	7,332	7,684	7,927	11,690	13,034
	R	1,833	1,921	1,982	2,923	3,259
	.. K	7,266	9,086	10,906	13,306	19,506
	R	4,778	5,990	7,202	8,801	12,910
Total	K	58,028	60,200	75,173	1,00,476	1,08,020
	R	25,271	26,571	32,484	35,024	39,478
B. GANJAM DISTRICT						
MAJOR & MEDIUM ..	K & R	62,160	62,160	62,160	62,160	62,160
	K	21,630	27,020	29,020	30,520	37,650
MINOR (a) Flow ..	R	1,230	3,040	3,060	3,060	5,150
	.. K	77,278	79,911	80,065	80,218	82,010
	R	19,319	19,978	20,016	20,055	20,503
	.. K	29,228	29,228	29,228	29,228	29,228
(b) Lift	R	19,080	19,080	19,080	19,080	19,080
	K	19,080	19,080	19,080	19,080	19,080
Total	K	1,90,296	1,98,319	2,00,473	2,02,126	2,11,048
	R	39,629	42,094	42,156	42,195	44,738
WITH PROJECTS						
MAJOR & MEDIUM ..	K	83,790	89,180	92,180	97,080	99,810
	R	1,230	3,040	3,460	4,820	5,150
MINOR (a) Flow ..	.. K	77,278	80,097	80,730	85,383	87,175
	R	19,319	20,024	20,183	21,346	21,794
	.. K	29,228	33,286	38,936	44,586	60,334
	R	19,080	21,836	25,546	29,256	39,502
Total	K	1,90,296	2,02,563	2,11,846	2,27,049	2,47,319
	R	39,629	44,900	49,189	55,422	66,446
K—Kharif		R—Rabi				

STATEMENT 6
CREDIT POTENTIAL

Area in '000 hectares, amount in lakhs of rupees

District	Gross cropped area	Irrigated area	Unirrigated area	Credit potential estimated		Total	Credit expected to be provided at 40 per cent of credit potential by co-operatives
				Rs 250 per hectare for irrigated area	Rs 125 per hectare for unirrigated area		
1. Balasore	513	62	451	155.00	563.75	718.75	287.50
2. Bolangir	591	54	537	135.00	671.25	806.25	322.50
3. Cuttack	1024	174	850	435.00	1062.50	1497.50	599.00
4. Dhenkanal	503	26	477	65.00	596.25	661.25	264.50
5. Ganjam	670	142	528	355.00	660.00	1015.00	406.00
6. Kalahandi	474	11	463	27.50	578.75	606.25	242.50
7. Keonjhar	332	8	324	20.00	405.00	425.00	170.00
8. Koraput	1024	13	1011	32.50	1263.75	1296.25	518.50
9. Mayurbhanj	494	24	470	60.00	587.50	647.50	259.00
10. Phulbani	267	25	242	62.50	302.50	365.00	146.00
11. Puri	685	118	567	295.00	708.75	1003.75	401.50
12. Sambalpur	852	119	733	297.50	916.25	1213.75	485.50
13. Sundergarh	328	9	319	22.50	398.75	421.25	168.50
Total	7757	785	6972	1962.50	8715.00	10677.50	4271.00

STATEMENT 7

DETAILS OF MEMBERSHIP AND BORROWERS IN SELECTED PACS

Name of the PACS	No. of members	No. of borrowers of PACS	Borrowers of PLDB
<u>Bolangir CCB Area</u>			
1. Tarava	399	384	23
2. Khari	427	362	48
3. Bisimunda	254	234	20
4. Malmunda	275	275	nil
5. Kamasara	371	360	35
6. Bhalar	244	244	1
7. Sargaj	235	223	15
<u>Aska CCB Area</u>			
8. Athagadapatna	NA	479	43
9. Gangapur	NA	287	25
10. Gudiali	NA	144	48
<u>Berhampur CCB Area</u>			
11. Burujhuri	244	229	11
12. Kandigam	126	85	6
13. Khajipally	85	85	5
14. Narendrapur	104	60	9
15. Nalabanta	396	396	11
16. Baragan	193	193	10
17. Mahupadara	234	234	nil
18. Dhabalpur	216	216	4
19. Balyasara	199	199	11

STATEMENT 8

DETAILS OF MEMBERSHIP AND BORROWERS OF PLDB

Name of PLDB	No. of members in respect of whom posi- tion was examined	No. of members of PACS	No. of borrowers of PACS
A. BOLANGIR DISTRICT			
1. Bolangir	82	36	19
2. Sonapur	222	170	59
3. Patnagarh	NA	NA	NA
4. Titlagarh	NA	NA	NA
B. GANJAM DISTRICT			
<u>Aska CCB Area</u>			
1. Aska	199	151	85
2. Bhanjanagar	NA	NA	NA
<u>Berhampur CCB Area</u>			
1. Berhampur	}	NA	NA
2. Parlakhemundi			
3. Chhatarpur			

STATEMENT 9

STAFF STRENGTH AND SALARY SCALES OF CENTRAL CO-OPERATIVE BANKS

A. Aska Central Co-operative Bank

Sr. No.	Designation	Strength	Scale of pay (excluding allowances which are at government rates)
1.	Secretary	1 (ARCS on deputation)	
2.	Assistant Secretary	1	Rs. 215—550
3.	Manager	1	Rs. —do—
4.	Executive Officer	1	Rs. 180—400
5.	Accountant	1	Rs. —do—
6.	Overseer	1	Rs. 185—325
7.	Branch Managers	3	Rs. 160—300
8.	Administrative Inspectors	3	Rs. 140—270
9.	Assistant Accountants	2	Rs. —do—
10.	Branch Accountants	3	Rs. —do—
11.	Supervisors	23	Rs. 120—240
12.	Senior Assistants	3	Rs. —do—
13.	Junior Assistants	25	Rs. 90—190
14.	Cashiers	2	Rs. —do—
15.	Stenographer	1	Rs. 115—204
16.	Typists	2	Rs. 100—200
17.	Record Keeper	1	Rs. 70—140
18.	Despatcher	1	Rs. —do—
19.	Peons	26	Rs. 45—60
20.	Security guard	1	Rs. 45—60
21.	Watchman	1	Rs. 40—60
22.	Sweeper	1	Rs. 40—60

B. Berhampur Central Co-operative Bank

Sr. No.	Designation	Strength	Scale of pay
1.	Secretary	1 (DRCS on deputation)	
2.	Assistant Secretary	1	Rs. 275—550
3.	Manager	1	Rs. 270—500
4.	Accountant	1	Rs. —do—
5.	Special Officer, SFDA	1	ARCS on deputation
6.	Officer, SFDA	1	Sub-ARCS on deputation
7.	Chief Executive Officer	1	Rs. 270—500
8.	Executive Officer	1	Rs. —do—
9.	Marketing Development Officer	1	Rs. 215—425
10.	Zonal Inspectors	2	Rs. —do—
11.	Branch Manager	1	Rs. —do—
12.	Clerks-in charge of branches	6	Rs. 90—200
13.	Administrative Inspector	1	Rs. 137—300
14.	Supervisors	11	Rs. 90—200
15.	Assistant Supervisors	28	Rs. 67—150
16.	Upper Division Clerks	18	Rs. 90—200
17.	Lower Division Clerks	15	Rs. 67—150

STATEMENT 9 (Contd.)

STAFF STRENGTH AND SALARY SCALES OF CENTRAL CO-OPERATIVE BANKS

C. Bolangir Central Co-operative Bank

Sr. No.	Designation	Strength	Scale of Pay
1.	Secretary	1	Rs. 260—700
2.	Executive Officers	2	Rs. 215—425
3.	Assistant Secretary	1	—do—
4.	Chief Accountant	1	Rs. 125—325
5.	Head Accountant	1	Rs. 125—190
6.	Junior Accountant	1	Rs. 125—160
7.	Branch Managers	5	Rs. 125—190
8.	SFDA Inspectors	23	Rs. 125—190
9.	Supervisors	24	Rs. 90—150
10.	Sub-Assistant Engineer	1	Rs. 375—750
11.	Stenographer	1	Rs. 115—160
12.	Driver	1	Rs. 80—150
13.	Typist	1	Rs. 90—150
14.	Cashiers	4	—do—
15.	Peons	27	Rs. 45—55
16.	Watchmen	4	—do—

STATEMENT 10

STAFFING PATTERN IN PLDB IN BOLANGIR AND GANJAM DISTRICTS

Name of PLDB	Managerial	Field Supervisors	Clerks	Others	Total
Bolangir CCB area					
1. Bolangir ..	2	6	3	3	14
2. Sonapur ..	1	6	2	4	13
3. Patnagarh	1	4	3	3	11
4. Titlagarh ..	1	5	3	4	13
Aska CCB area					
5. Aska ..	4	10	3	14	31
6. Bhanjanagar	1	6	5	9	21
Berhampore CCB area					
7. Berhampore	4	13	6	12	35
8. Chhatarpur ..	5	8	9	13	35
9. Parlakhemundi ..	3	7	2	7	19

STATEMENT 11

VIABILITY OF A PACS

According to the norms laid down by the Government of India and the Reserve Bank, a primary agricultural credit society dispensing production credit can be treated as a viable unit if it has attained a level of Rs 2 lakhs loan business. The society will be able to appoint a full-time paid Secretary, hold office in a hired or own building and earn some net profit to declare a dividend also. When the societies take up long-term lending also, the staff position may have to increase. A business of Rs 2 lakhs under short-term and Rs 2 lakhs under long-term will enable the societies to function as viable units according to the economics as given under:—

INCOME		Rs
1. Interest at $14\frac{1}{2}$ per cent on short-term loan of Rs 2 lakhs . .		29,000
2. Interest at $9\frac{1}{2}$ per cent on long-term loans of Rs 2 lakhs . .		19,000
3. Dividend on share holdings, admission fees, etc. . . . .	.. ..	1,000
	Total . .	<u>49,000</u>
EXPENDITURE		Rs
1. Interest at $11\frac{1}{2}$ per cent on short-term loans (average Rs 1.60 lakhs)		18,400
2. Interest at $8\frac{1}{2}$ per cent on long-term loans of Rs 2 lakhs . .		17,000
3. Salaries (one Secretary @ Rs 300 + Clerk Rs 250 + Peon Rs 150)		8,400
4. Office rent, stationery, etc. . .		2,400
5. Other miscellaneous expenses . .		800
	Total . .	<u>47,000</u>
	Profit . .	<u>2,000</u>

In addition, non-agricultural credit and non-credit business will also fetch additional income after meeting the relative expenses.

Societies with lower levels of business will have to curtail expenditure by reducing staff/scales of pay and/or partly depend on government subsidy on tapering basis.

STATE

CONSOLIDATED BALANCE SHEET OF THE CCB AND
AS ON

<i>Liabilities</i>						
	Central Co- operative Bank	Patna- garh PLDB	Sonepur PLDB	Titla- garh PLDB	Bolangir PLDB	Total
	1	2	3	4	5	6
1. Paid-up Capital	36.77	2.99	3.20	4.73	3.60	51.29
2. Reserves ..	14.81	0.06	—	—	0.20	14.89
3. Total owned funds	51.58	3.05	3.20	4.73	3.62	66.18
4. Deposits						
Fixed ..	12.00	0.18	0.20	0.17	0.95	13.50
Savings Bank ..	27.63	—	—	—	—	27.63
Current ..	9.47	—	—	—	—	9.47
Call/Short Notice	0.12	—	—	—	—	0.12
Total ..	49.22	0.18	0.20	0.17	0.95	50.72
5. Borrowings						
Short-term	29.55	—	—	—	—	29.55
Medium-term	28.14	—	—	—	—	28.14
Medium-term conversion	22.60	—	—	—	—	22.60
Long-term	8.87	37.70	40.77	69.41	59.35	222.20
Total	89.16	37.70	40.77	69.41	59.35	302.49
6. Interest payable ..	3.09	0.12	2.32	3.46	5.29	14.28
7. Overdue Interest reserve	2.59	—	1.06	—	—	3.65
8. Other liabilities	12.18	0.53	3.34	6.90	2.75	19.59
9. Total of other items ..	17.86	0.65	6.72	10.36	8.04	37.52
10. Cr. Balance in P & L account	0.74	3.95	0.65	1.50	2.12	8.96
11. Total ..	208.56	45.53	51.54	86.17	74.08	465.87

MENT 12

THE PLDB IN BOLANGIR DISTRICT
30 JUNE 1975

Rs Lakhs

<i>Assets</i>						
	Central Co- operative Bank	Patna- garh PLDB	Sonepur PLDB	Titla- garh PLDB	Bolangir PLDB	Total
	7	8	9	10	11	12
1. Cash on hand ..	4.08	—	0.07	—	0.25	4.40
2. Balances with other banks						
Current A/c. ..	8.11	0.72	0.06	1.39	4.46	14.74
Savings Bank ..	0.02	0.01	—	0.01	—	0.04
Fixed Deposits	11.67	—	—	—	—	11.67
Call & Short notice ..	—	—	—	—	—	—
Total	19.80	0.73	0.06	1.40	4.46	26.45
3. Investments	7.78	1.58	1.71	2.77	2.36	16.20
4. Total (1+2+3)	31.66	2.31	1.84	4.17	7.07	47.05
5. Advances						
Short-term ..	96.75	—	—	—	—	96.75
Cash Credit ..	2.52	—	—	—	—	2.52
Medium-term ..	65.14	—	—	—	—	65.14
Long-term ..	—	35.92	44.27	71.69	58.63	210.51
Total ..	164.41	35.92	44.27	71.69	58.63	374.92
6. Other items						
Interest due ..	9.25	4.19	4.68	7.77	7.73	33.62
Land & buildings	0.38	0.06	—	—	—	0.44
Furniture, etc.	0.34	0.10	0.08	0.08	0.07	0.67
Other assets	2.52	2.95	0.67	2.46	0.57	9.17
Total	12.49	7.30	5.43	10.31	8.37	43.90
7. Total assets	208.56	45.53	51.54	86.17	74.07	465.87
8. Out of 5 above, shares held in other institutions	3.72	1.58	1.71	2.77	2.36	12.14
9. Liquid resources	27.94	0.73	0.13	1.40	4.71	34.91

STATEMENT 13

CONSOLIDATED BALANCE SHEET OF THE CCB AND THE PLDB IN GANJAM DISTRICT AS ON 30 JUNE 1975

Rs Lakhs

Particulars	CCB Aska	PLDB Aska	PLDB Bhanja- nagar	CCB Berhampur	PLDB Berhampur	PLDB Chhatar- pur	PLDB Parlakhe- mundi	Total
1	2	3	4	5	6	7	8	9
LIABILITIES								
1. Paid-up Share Capital								
(a) Co-operative Institutions	26.50	—	—	40.34	—	—	—	66.84
(b) State Government	10.00	.25	.50	14.00	.50	1.50	—	26.75
(c) Others	—	6.94	4.73	—	8.22	7.92	3.90	31.71
Total	36.50	7.19	5.23	54.34	8.72	9.42	3.90	125.30
2. Reserve Fund and Other Reserves								
(i) Statutory Reserve	4.54	.33	.03	10.01	.05	.14	.17	15.27
(ii) Agricultural Credit Stabilization Fund	1.11	—	—	3.15	—	—	—	4.26
(iii) Other Funds	10.03	.77	.09	14.12	—	.69	.33	26.03
3. Total owned funds	52.18	8.29	5.35	81.62	8.77	10.25	4.40	170.86
4. Deposits								
Fixed	78.82	—	—	194.04	—	—	—	272.86
Savings Bank	29.74	—	—	72.46	—	—	—	102.20
Current	6.72	—	—	13.08	—	—	—	19.80
Others	—	.85	.40	—	1.45	.98	.10	3.78
5. Total Deposits	115.28	.85	.40	279.58	1.45	.98	.10	398.64
6. Borrowings								
Short-term	28.08	—	—	20.90	—	—	—	48.98
Medium-term	32.34 1.70	—	—	68.65	—	—	—	102.69
MT Conversion	10.38	—	—	—	—	—	—	10.38
Long-term	.41	77.06	51.28	.27	97.11	99.36	42.99	368.48
7. Total Borrowings	72.91	77.06	51.28	89.82	97.11	99.36	42.99	530.53
8. Interest payable	1.07	2.36	3.00	3.68	7.81	3.30	.81	22.03
9. Overdue Interest Reserve	1.15	—	—	2.58	—	—	—	3.73
10. Other Liabilities	8.98	3.12	1.51	31.09	1.89	2.66	1.32	50.57
11. Total of other items	11.20	5.48	4.51	37.35	9.70	5.96	2.13	76.33
12. Cr. Balance in P & L A/c.	2.89	3.40	1.49	6.32	3.37	8.43	1.10	27.18
Total	254.46	95.08	63.01	494.69	120.40	124.98	50.72	1203.54

1. Cash on hand	8.27	.25	.18	3.32	.18	.85	.61	13.66
2. Balances with other banks								
Current A/c	14.25	1.35	3.26	26.22	.65	1.75	.48	47.96
Savings Bank	—	.01	.96	.04	—	—	.09	1.10
Fixed Deposits	15.94	—	—	44.98	.01	—	—	60.93
Others*	1.50	—	—	—	—	—	—	1.50
3. Total	39.96	1.61	4.40	74.56	.84	2.60	1.18	125.15
4. Investments	15.56	4.71	2.44	47.12	4.49	4.05	1.98	80.35
5. Total (3+4)	55.52	6.32	6.84	121.68	5.33	6.65	3.16	205.50
6. Advances								
Short-term	96.98 } 3.86 }	—	—	163.91	—	—	—	264.75
Cash Credit	—	—	—	—	—	—	—	—
Medium-term	82.16	—	—	189.54	—	—	—	271.70
MT Conversion	10.12	—	—	—	—	—	—	10.12
Long-term	—	79.96	52.84	—	102.90	99.31	44.84	379.85
7. Total	193.12	79.96	52.84	353.45	102.90	99.31	44.84	926.42
8. Other items								
Interest due	2.19	5.03	2.72	11.61	10.97	9.38	1.05	42.95
Land and Buildings	.42	1.08	.32	2.96	—	.12	—	4.90
Furniture, etc.	.70	.14	.08	.73	.10	.16	.06	1.97
Other Assets	1.98 } .53 }	2.55	.21	4.26	1.10	9.36	1.61	21.60
9. Total	5.82	8.80	3.33	19.56	12.17	19.02	2.72	71.42
10. Total Assets	254.46	95.08	63.01	494.69	120.40	124.98	50.72	1203.34
11. Out of 5 above, shares held in other institutions	5.71	3.74	2.17	5.99	4.49	3.82	1.98	27.90
12. Liquid Resources	49.81	2.58	4.49	115.69	.84	2.83	1.18	177.42

*Money at call

STATEMENT 14
 PROFIT AND LOSS ACCOUNT OF THE CCB AND THE PLDB IN BOLANGIR DISTRICT
 AS ON 30 JUNE 1975

Rs Lakhs

Particulars	DCC Bank	PLD BANKS				Total
		Bolangir	Sonepur	Patnagarh	Titlagarh	
I. INCOME						
1. Interest earned..	12.15	4.95	3.71	3.72	4.92	29.45
2. Interest on investments	0.74	0.01	—	0.01	—	0.76
3. Other income ..	0.51	0.27	0.03	0.06	0.06	0.93
	13.40	5.23	3.74	3.79	4.98	31.14
II. EXPENDITURE						
1. Interest on borrowings	4.99	4.07	2.18	1.28	3.86	16.38
2. Interest on deposits ..	2.75	—	0.01	—	—	2.76
3. Establishment including TA	3.77	0.44	0.47	0.44	0.45	5.57
4. Depreciation	0.08	0.01	0.01	0.02	—	0.12
5. T. A. etc., to Directors	0.04	0.04	0.01	0.02	0.01	0.12
6. Other charges	1.03	0.18	0.18	0.14	0.10	1.63
Total..	12.66	4.74	2.86	1.90	4.42	26.58
Net Profit..	0.74	0.49	0.88	1.89	0.56	4.56

STATEMENT 15

PROFIT AND LOSS ACCOUNT OF THE CCB AND THE PLDB IN GANJAM DISTRICT
AS ON 30 JUNE 1975

Rs Lakhs

Particulars	ASKA AREA					BERHAMPUR AREA					Grand Total	
	CCB	PLD Banks		Total	CCB	PLD Banks			Total			
		Aska	Bhanja-nagar			Chhatarpur	Berham-pur	Parlakhe-mundi				
I. INCOME												
1. Interest earned	16.39	6.01	4.11	26.51	30.28	8.57	10.69	3.97	53.51	80.02		
2. Interest on investments	1.61	0.01	—	1.62	7.07	0.01	0.01	—	7.09	8.71		
3. Other income	0.06	0.08	0.13	0.27	0.41	0.14	0.04	0.17	0.76	1.03		
Total..	18.06	6.10	4.24	28.40	37.76	8.72	10.74	4.14	61.36	89.76		
II. EXPENDITURE												
1. Interest on borrowings	4.79	4.76	2.91	12.46	17.99	4.53	8.46	2.71	33.69	46.15		
2. Interest on deposits	5.91	0.01	0.02	5.94	4.75	0.02	—	—	4.77	10.71		
3. Establishment including T.A. ..	3.32	0.93	0.65	4.90	6.10	1.12	1.69	0.51	9.42	14.32		
4. Depreciation	0.16	0.01	0.01	0.18	0.21	—	—	0.01	0.22	0.40		
5. T.A., etc., to Directors	0.05	0.01	0.03	0.09	0.13	0.04	0.02	0.02	0.21	0.30		
6. Other charges	1.33	0.21	0.20	1.74	2.26	0.42	0.26	0.33	3.27	5.01		
Total..	15.56	5.93	3.82	25.31	31.44	6.13	10.43	3.58	51.58	76.89		
Net Profit..	2.50	0.17	0.42	3.09	6.32	2.59	0.31	0.56	9.78	12.87		

STATEMENT 16

STAFFING PATTERN FOR INTEGRATED CENTRAL CO-OPERATIVE BANKS

Sr. No.	Category	Scales of pay (Rs)	Average total emoluments (Rs)	Strength	
				Bolangir	Ganjam
A. HEAD OFFICE					
1.	General Manager/Secretary	1000—1530	1300	1	1
2.	Deputy General Manager/Assistant Secretary	700—1200	950	1	2
3.	Chief Accountant	525—1150	850	1	1
4.	Executive Officer	—do—	—do—	2	2
5.	Development Officer	—do—	—do—	1	2
6.	Technical Manager	—do—	—do—	1	2
7.	Law Officer	500—825	630	1	1
8.	Statistical Officer	400— 620	530	1	1
9.	Office Manager	—do—	—do—	1	1
10.	Clerk/Accountant/Cashier	300— 410	340	10	20
11.	Stenographer	300— 410	340	2	3
12.	Typist	255— 360	320	2	4
13.	Driver	255— 360	320	2	3
14.	Peon and Watchman	200— 250	280	10	15
B. BRANCHES (For each branch)					
1.	Branch Manager	500— 825	630	1	1
2.	Assistant Executive Officer	—do—	630	1	1
3.	Head Accountant	400— 620	580	1	1
4.	Technical Officer	—do—	—do—	1	1
5.	Extension Officer/Asst. Law Officer.. .. .	—do—	—do—	2	4
6.	Clerk/Accountant	300— 410	340	2	2
7.	Cashier	—do—	—do—	1	1
8.	Typist	255— 360	320	1	1
9.	Peon & Watchman	200— 250	280	4	4
C. FIELD STAFF					
1.	Supervisor	320— 450	350	40	60

Notes: Dearness allowance, etc., as per state government rates.

STATEMENT 17

EXISTING AND PROPOSED STAFFING PATTERNS

Name of Bank				Managerial				Field Staff	Clerical	Peons, etc.	Total	Remarks
				General	Technical	Others	Total					
EXISTING												
I. BOLANGIR CCB	..	..	..	1	1	10	12	23	40	29	104	
BOLANGIR PLDB	..	..	..				2	6	3	3	14	
SONEPUR PLDB	..	..	..				1	6	2	4	13	
PATNAGARH PLDB	..	..	..				1	4	3	3	11	
TITLAGARH PLDB	..	..	..				1	5	3	4	13	
Total existing	..	..	..				17	44	51	43	155	
PROPOSED												
Head Office	..	..	..	1	2	7	10	—	14	12	36	
Branches	..	..	..	6	6	36	48	52	24	24	148	
Total..				7	8	43	58	52	38	36	184	
EXISTING												
II. ASKA CCB	..	..	..	1	—	9	10	47	39	20	116	The bank has 23 SFDA inspectors and 24 supervisors.
ASKA PLDB	..	..	..				4	10	3	14	31	
BHANJANAGAR PLDB	..	..	..				1	6	5	9	21	
III. BERHAMPUR CCB	..	..	..	1	1	11	13	47	40	31	131	The bank has 6 clerks-in-charge of branches and 11 supervisors and 28 assistant supervisors, among others.
BERHAMPUR PLDB	..	..	..				4	13	6	12	35	
PARLAKHEMUNDI PLDB	..	..	..				5	8	9	13	35	
CHHATARPUR PLDB	..	..	..				3	7	2	7	19	
Total existing	..	..	..				40	138	104	106	389	
PROPOSED												
Head Office	..	..	..	1	3	9	13	—	27	18	58	
Branches	..	..	..	10	10	60	80	100	40	40	260	
Total..				11	13	69	93	100	67	58	318	

REPORT OF THE STUDY GROUP
KERALA

CHAPTER 1
INTRODUCTION

The Study Group for Kerala State comprised the following members :

1. Shri T. R. Venkataraman Deputy Director Agricultural Refinance and Development Corporation Trivandrum	Convener
2. Shri K. Bhargavan Pillai Joint Registrar of Co-operative Societies Kerala Trivandrum	Member
3. Shri T. A. Viswanathan Assistant Chief Officer Agricultural Credit Department Reserve Bank of India Trivandrum	Member
4. Shri P. I. John Assistant Chief Officer Department of Banking Operations and Development Reserve Bank of India Trivandrum	Member
5. Shri C. S. Subramanian Secretary Kerala State Co-operative Bank Ltd. Trivandrum	Member
6. Shri M. S. Joseph Managing Director Kerala Co-operative Central Land Mortgage Bank Ltd. Trivandrum	Member
7. Shri S. G. V. Ramanan Member-Secretary of the Committee and Director Agricultural Refinance and Development Corporation Bombay	Co-ordinating- Member

1.2 The Study Group held six meetings on 1 and 5 December 1975, and 9 January, 12 February, 4 and 19 March 1976. At its final meeting, the Study Group considered the draft report and finalised the same. Shri A. P. Mukundan, Deputy Director, ARDC, Bombay, attended the meeting on 19th March 1976 and helped the Study Group in finalising the Report.

Selection of Districts

1.3 The Study Group selected the districts of Cannanore and Palghat for the purpose of detailed studies. The general particulars of these two districts are given in Statement 1. The selection of these two districts for the study was made taking into account a combination of situations or contrasting features so as to reflect a representative position. It is common knowledge that in almost all the 11 districts in Kerala, a variety of crops is grown. Land being scarce and coupled with pressure of population, intensive cultivation is the rule rather than exception and multiple cropping is the distinguishing feature in the state. The pattern of cropping in the districts of Cannanore and Palghat during 1974-5 is presented in the following Table :

TABLE 1

CROPS									In Lakh ha	
									CANNANORE	PALGHAT
Paddy	..	..	..	..	..	..	..	..	0.98	2.24
Coconut	..	..	..	..	..	..	..	..	0.92	0.25
Areca nut	..	..	..	..	..	..	..	..	0.16	0.04
Tapioca	..	..	..	..	..	..	..	..	0.08	0.47
Banana	..	..	..	..	..	..	..	..	0.06	0.05
Pepper	..	..	..	..	..	..	..	..	0.31	0.01
Coffee	..	..	..	..	..	..	..	..	0.06	0.05
Rubber	..	..	..	..	..	..	..	..	0.19	0.08
Others	..	..	..	..	..	..	..	..	0.79	0.46

1.4 It may be seen from the above that while in Cannanore district cash crops predominate, in Palghat district where paddy is extensively cultivated—in certain areas three crops of paddy are taken—food crops are prominent. Palghat district receives minimum annual rainfall (1846.1 mm) as compared to all other districts while the rainfall in Cannanore district is fairly heavy (2377.7 mm), the average annual rainfall for the State as a whole being 2183.3 mm. On the other hand, Palghat district with a good network of irrigation facilities has considerable area under irrigation while in the case of Cannanore district owing to lack of adequate irrigation facilities, the area under irrigation is

considerably less. However, there is considerable scope in Cannanore district for groundwater exploitation as revealed from the studies undertaken by the state groundwater unit. This indicates scope for lending for minor irrigation.

Co-operative Credit Structure

Short-term Wing

1.5 Another factor which weighed with the Study Group in selecting Cannanore and Palghat districts for studies was the relative position of the short and long-term wings of the co-operative credit structure obtaining in these two districts. The short-term wing in Kerala consists of the SCB at the apex level, the CCB at the district level and the PACS (also known as service co-operative banks) at the village level. The details of the working of the CCB in Cannanore and Palghat districts as on 30 June 1975 are given in Statement 2. Certain important data for the last three years are given below :

TABLE 2

PARTICULARS	Rs Lakhs					
	CANNANORE			PALGHAT		
	30-6-73	30-6-74	30-6-75	30-6-73	30-6-74	30-6-75
1. Owned funds	100.29	119.44	132.97	84.49	97.72	123.37
2. Deposits	227.10	255.03	207.60	220.40	276.19	346.85
3. Borrowings	221.97	256.56	319.89	143.81	191.74	217.54
4. Loans and advances outstanding	485.11	523.68	576.51	374.26	461.91	536.56
5. Overdues	72.16	84.44	118.36	48.00	65.41	88.61
6. Percentage of overdues to demand	21.0	20.7	26.9	17.9	13.8	16.9

It is seen that the working of both the CCB is fairly satisfactory considering the areas, the geographical aspects, the cropping patterns, etc., in the districts in which they operate.

1.6 The working of the PACS in Cannanore and Palghat districts during the year 1974-5 is indicated in Statement 6. It was observed by the Study Group that in Cannanore district the coverage of rural families by the PACS was 79.9 per cent while the borrowing members formed only 48 per cent of the rural families or 60 per cent of the total membership. The corresponding percentages for Palghat district were 64, 25.5 and 49 respectively.

Long-term Wing

1.7 The long-term co-operative credit wing in Kerala is federal in character with the Kerala Co-operative Central Land Mortgage Bank (SLDB) at the apex level and the PLDB at the district/taluk levels. Till 1973, the PLDB in Kerala had been organised to serve a district or a few taluks as the case may be, and there were in all 23 PLDB covering the 11 districts in the state. Since then, there has been a tendency to organise new PLDB so as to have one bank for each taluk and as on 30 June 1975 there were 28 PLDB in the state. As the new PLDB had been organised without assessing scientifically their viability/potential viability, the matter was engaging the attention of the RBI which had recently conducted special studies in this regard and their decisions were awaited. The working results of the SLDB are as follows :

TABLE 3

Rs Lakhs

PARTICULARS						As on 30-6-1975
1.	Owned funds	..	..	..	..	161.33
2.	Deposits	..	..	..	..	6.56
3.	Debentures	..	..	..	..	1916.68
4.	Interim accommodation	..	..	..	..	201.12
5.	Working capital	..	..	..	..	2284.05
6.	Investments	..	..	..	..	558.47
7.	Loans outstanding	..	..	..	..	1675.04
8.	Overdues	..	..	..	..	48.92
9.	Percentage of overdues to demand	..	..	..	..	19.3

1.8 As stated earlier, there were 28 PLDB as on 30 June 1975 and their working was as indicated below :

TABLE 4

Rs Lakhs

PARTICULARS						As on 30-6-1975
1.	Share capital	..	..	..	..	122.20
2.	Reserves	..	..	..	..	24.64
3.	Borrowings	..	..	..	..	1667.38
4.	Working capital	..	..	..	..	1813.72
5.	Investments	..	..	..	..	66.62
6.	Loans outstanding	..	..	..	..	1689.80
7.	Overdues	..	..	..	..	77.92
8.	Percentage of overdues to demand	..	..	..	..	28.0

There were 5 PLDB functioning in Cannanore district, viz., (i) Cannanore PLDB, (ii) Tellicherry PLDB, (iii) Wynad PLDB, (iv) Kasargod PLDB, and (v) Hosdurg PLDB. While the first four banks are fairly old, the Hosdurg bank is a new one registered on 22 January 1974. No loans were issued by the Hosdurg bank during 1974-5. During 1975-6 (till January 1976) the bank had issued loans amounting to Rs. 1.80 lakhs only. Although the area of this bank extends to the entire taluk of Hosdurg which formed a fairly big chunk of the area of operation of the parent bank, viz., the Kasargod PLDB, the entire loaning programme for Hosdurg taluk had been undertaken by the parent bank and, therefore, the Study Group had not taken into account the meagre operations so far undertaken by the new Hosdurg PLDB. In Palghat district, there was only one PLDB, viz., the Palghat PLDB which served the entire district. The working of the PLDB in Cannanore and Palghat districts as on 30 June 1975 is indicated in Statement 3. Certain important particulars are, however, furnished below :

TABLE 5

								Rs Lakhs
PARTICULARS								
								CANNANORE
								PALGHAT
1.	Owned funds	..	..	..	..	..	..	33.24
2.	Deposits	..	..	..	..	..	..	1.14
3.	Borrowings	..	..	..	..	..	..	362.29
4.	Loans outstanding	..	..	..	..	..	..	358.03
5.	Overdues	..	..	..	..	..	..	17.86
6.	Percentage of overdues to demand	..	..	..	..	..	..	32.70
								7.21
								—
								103.00
								102.64
								7.84
								36.70

CHAPTER 2

GENERAL FEATURES OF AND CO-OPERATIVE CREDIT STRUCTURE IN THE SELECTED DISTRICTS

2.1 The Cannanore district is the biggest of all the 11 districts in Kerala. The district has an area of 5,706 sq. km. and forms nearly one-seventh of the entire state which has an area of 38,855 sq. km. It has a population of 23.65 lakhs as per the 1971 census, of which the rural

population is 20.40 lakhs forming 86.2 per cent of the total. Cultivators and agricultural labourers formed 52.2 per cent of the total workers in the district. The district receives a fairly heavy rainfall during the south-west monsoon, particularly very heavy in the months of June and July. The total rainfall in the district during the last 6 years is indicated below :

TABLE 6

1969-70	.. 2872 mm
1970-71	.. 3451 mm
1971-2	.. 2979 mm
1972-3	.. 2786 mm
1973-4	.. 2378 mm
1974-5	.. 3438 mm

2.2 Out of the 44 rivers flowing in Kerala, as many as 19 rivers flow through Cannanore district. The district consists of six taluks, viz., North Wynad, Tellicherry, Cannanore, Taliparamba, Hosdurg and Kasargod. Geographically the district may be broadly classified into three parts, viz., the narrow coastal strip in the west, the undulating midland region and the highland terrain in the east. The following table gives the details of land utilization in the district during the year 1974-5 :

TABLE 7

CLASSIFICATION	Area in ha
Total geographical area	5,76,661
Forests	63,932
Land put to non-agricultural uses	65,383
Barren and uncultivable land	19,295
Permanent pastures and other grazing land	12,000
Land under miscellaneous tree crops not included in net area sown	70,203
Cultivable waste	16,286
Fallow land other than current fallow	7,790
Current fallow	3,888
Net area sown	3,17,884
Total cropped area	3,54,512
Area sown more than once	36,628

The total cropped area formed 61.5 per cent of the total area.

2.3 The Palghat district has an area of 4,400 sq. km. It has a population of 16.85 lakhs of which the rural population is 14.71 lakhs forming 87.3 per cent of the total population. Cultivators and agricultural labourers formed 64.2 per cent of the total workers in the district. Of all the 11 districts in the state, the Palghat district receives the

minimum rainfall, the average annual rainfall for the last 6 years being as under :

TABLE 8

1969-70	..	2331.6	mm
1970-71	..	2780.2	mm
1971-2	..	2101.7	mm
1972-3	..	2327.9	mm
1973-4	..	1846.1	mm
1974-5	..	2397.7	mm

2.4 The comparatively lesser rainfall has, however, been compensated, to a great extent, by the existence of a good network of irrigation facilities, as stated earlier, as may be seen from the classification of the area of the district for the year 1974-5 :

TABLE 9

CLASSIFICATION	Area in ha
Total geographical area	4,37,087
Forests	67,185
Land put to non-agricultural uses	52,897
Barren and uncultivable land	10,575
Permanent pastures and other grazing land	2,810
Land under miscellaneous tree crops not included in net area sown	1,432
Cultivable waste	4,017
Fallow land other than current fallow	3,053
Current fallow	2,082
Net area sown	2,93,036
Total cropped area	3,65,239
Area sown more than once	54,693

The total cropped area formed 83.6 per cent of the total area. The Palghat district comprises the five taluks of Palghat, Ottappalam, Mannarghat, Chittoor and Alathur.

2.5 Out of the 5 PLDB operating in Cannanore district, the Study Group examined the working of 2 primary banks, i.e., those at Cannanore and Kasargod. Apart from collecting necessary data relating to long-term loaning operations, the members of the Group also visited a few PACS in the areas of operation of the two PLDB to ascertain to what extent the borrowers of LT loans from the latter banks had been provided with ST loans by the former and *vice versa*. A similar exercise was undertaken for Palghat district also.

2.6 An examination of the position of members borrowing LT loans from the PLDB and those who availed of ST loans from the PACS revealed the following features :

TABLE 10

PARTICULARS			CANNANORE	PALGHAT
(i)	No. of members of the PACS (in thousands)	.. ..	326	188
(ii)	Of which, borrowing members (in thousands)	.. ..	196	75
(iii)	Percentage of (ii) to (i)	.. ..	60	40
(iv)	No. of members of the PLDB (in thousands)	.. ..	18	5
(v)	Of which, borrowing members (in thousands)	.. ..	14	2
(vi)	Percentage of (v) to (iv)	.. ..	78	40
(vii)	Percentage of LT loan borrowers to ST loan borrowers (i.e., percentage of item (v) to item (ii) )	.. ..	7.1	2.7

2.7 It may be seen from the above that although in Cannanore district where there was cent per cent coverage by the PACS, only 60 per cent were borrowers, while in Palghat district which accounted for 99 per cent of coverage by the PACS, the borrowers formed only 40 per cent of the total membership. The percentage of borrowers of LT loans, however, accounted for 78 and 40 of total members of the PLDB in Cannanore and Palghat districts, respectively. The following observations are made from the above particulars :

(i) Although both Cannanore and Palghat districts are fairly big having a total cropped area of 3.54 lakh ha and 3.65 lakh ha, respectively the number of the PACS in the former district was 206 as against 95 societies in the latter district. It may also be observed from Statement 6 that as many as 111 societies in Cannanore district are having loan outstandings of less than Rs. 2.00 lakh each as against 22 such societies in Palghat district.

(ii) In Cannanore district where plantation crops are predominant, the number of borrowers of ST credit is more than the number of members availing of ST loans in Palghat district which is predominantly a paddy-growing area.

(iii) The percentage of LT borrowers to the ST borrowers in both the districts is quite low. In Cannanore district, this is only 7.1 per cent and lesser still at 2.7 per cent in Palghat district.

2.8 The Study Group made a sample study of the two PLDB at Kasargod and Cannanore in Cannanore district and the Palghat PLDB in Palghat district to find out whether the beneficiary farmers availing of LT loans had received support from the ST credit structure through the

PACS. The Group also examined the position with reference to five selected PACS in the area of operation of the PLDB to ascertain to what extent the borrowing members of the PACS had received support from the PLDB for LT investments. The details in this regard are given in Statements 4 and 5. The summary position is given in Tables 11 and 12.

TABLE 11
SUMMARY OF STATEMENT 4

Amount in Rs Lakhs						
Name of PLDB	Number of members availing LT loans	Amount of LT loans outstanding as on 30-6-1975	Credit support extended by the PACS			
			Number of members out of col. (2)	Percentage of Col. (4) to Col. (2)	Loan outstandings in respect of members in col.	
					(4)	
					ST	MT
1	2	3	4	5	6	7
Cannanore	441	17.81	247	56.0	1.45	0.12
Kasargod	419	12.16	170	40.6	0.87	0.27
Palghat	670	41.16	217	32.4	2.89	—

TABLE 12
SUMMARY OF STATEMENT 5

SUMMARY OF STATEMENTS					Amount in Rs Lakhs			
Name of district			No. of PACS selected	No. of borrowers	Loans outstanding as on 30-6-1975		No. of LT borrowers in the area of operation of the PACS	LT loans outstanding as on 30-6-1975
					ST	MT		
1			2	3	4	5	6	7
Cannanore	..	..	5	10,714	63.91	3.75	100	2.45
Palghat	..	..	5	10,626	45.78	11.90	44	1.59

2.9 The Group feels that while availment of investment credit by borrowers of the PACS depends upon several factors such as felt needs, eligibility, etc., which cannot be invariably ensured in a good number of cases, for borrowers of investment credit, availability of production credit is quite essential in order to ensure that the anticipated cropping patterns are actually adopted and income is realised so as to justify the assumed repaying capacity. The support given by the ST wing to

investment credit in Palghat district was as low as 32.4 per cent, whereas in the areas of Cannanore and Kasargod PLDB, the percentage support was 56.0 and 40.6, respectively. The main reasons for the inadequate coverage and support were as follows :

- (a) mutual exclusiveness and lack of co-ordination between the two wings;
- (b) lack of promotional and extension work;
- (c) reluctance on the part of cultivators to incur heavy debt burden by availing themselves of different types of credit; and
- (d) the restrictive feature of the PACS insisting on mortgage security even for ST loans of Rs. 1000.

2.10 In the case of the PLDB, out of 18,000 members in Cannanore district, 14,000 (78 per cent) were borrowing members and in Palghat, the number of borrowing members was 2,000 or 40 per cent of the total members at 5,000. The number of cultivating families and the purposes for which LT loans to them had been provided by the PLDB in the two districts are given below :

TABLE 13

PARTICULARS	Amount in Rs Lakhs	
	CANNANORE	PALGHAT
(a) <i>Coverage</i>		
(i) Total number of members (in thousands) ..	18	5
(ii) Of which, borrowing members (in thousands) ..	14	2
(iii) Loans outstanding as on 30-6-1975 ..	358.03	102.64
(b) <i>Purpose-wise classification of loans outstanding</i>		
(i) Minor irrigation (wells, pumpsets)	45.31	69.73
(ii) Land levelling, bunding, fencing, etc.	75.55	10.90
(iii) Orchards and plantations	143.59	8.64
(iv) Tractors/power tillers	0.60	0.69
(v) Other productive purposes	58.23	3.83
(vi) Other non-productive purposes	34.75	8.85

2.11 It may be seen from the table above that financing of plantations, land levelling, bunding, fencing and minor irrigation works predominate in Cannanore district. As regards Palghat district, where paddy was the main crop, term-lending is predominantly for minor irrigation followed by land levelling, etc., and plantations (mainly coconut). The Group examined whether in the selected two districts there was a preponderance of big farmers among the beneficiary farmers; by and large, in both the districts the beneficiaries were small farmers with land holdings ranging from 25 cents to 5 acres except in a few cases in respect

of the coffee schemes in Cannanore district where the maximum holdings were upto 25 acres.

2.12 The Study Group went into the aspect of adequacy or otherwise of coverage by the PLDB which could at best be considered as moderate, and the reasons therefor. The Study Group has no hesitation in coming to the conclusion that lack of adequate coverage is inhibited by lack of supervisory and promotional staff and the quality of outturn of work of the existing staff. It was observed that the PLDB in Kerala were not doing any substantial promotional work to enthuse the farmers to avail themselves of LT credit facilities available for agricultural development. These banks do not have adequate arrangements in terms of numbers or expertise for promotional work and much is left to the individual farmer's initiative to approach the PLDB for credit requirements. This was also confirmed by the interviews which the Group had with a cross-section of agriculturists in the districts of Cannanore and Palghat. While some of the farmers interviewed stated that the procedures laid down by the PLDB were cumbersome and time-consuming, some others stated that they were not even aware of the existence of an agency catering to the LT credit requirements. While the element of exaggeration is obvious, it certainly does reflect on the promotional work on the part of the PLDB or the lack of it. The supervisors are the field staff of the PLDB and their main, if not the only function as the Group would view it, is the valuation of loan applications upto Rs 5,000 and to a certain lesser extent collection of overdues. In the recent past the supervisors had also been enjoined to undertake a percentage verification of the end-use of funds advanced by the banks. But unfortunately these instructions remain only on paper and not applied on the field. The supervisors are also expected to canvass loan applications but this is seldom done save in the case of the ARDC special schemes. Here also, they mainly depend upon the Block staff. It is mainly on account of these factors that the PLDB had not been able to make any appreciable impact to project their image and cover a larger number of agriculturists.

2.13 The technical services provided by the PLDB are conspicuous by their complete absence. At the head office of the SLDB, there is a small technical cell consisting of one Chief Agricultural Officer of the rank of Deputy Director of Agriculture, one Junior Agricultural Officer and one Assistant Agricultural Engineer all of whom are government employees on deputation with the bank. Handicapped as they are in the matter of technical expertise, the staff of the PLDB are not involved at any stage in the formulation and preparation of special development schemes which are entrusted only to the technical cell in the head office

of the SLDB. At the stage of implementation of the schemes at the field level, it is the Junior Agricultural Officer of the Department of Agriculture who gives the technical enquiry reports in respect of individual loan applications which are accepted by the PLDB implementing the schemes. Likewise, the utilisation certificates are also furnished by the government staff and no independent assessment is made by the supervisory staff of the PLDB. The supervisors of the PLDB have powers to value the property offered as security in respect of loans for Rs. 5,000 and less. There is a Valuation Inspector in each of the PLDB who is an officer from the Department of Co-operation and whose services are provided free of cost by the state government. The Valuation Inspectors have powers to value security properties in respect of loans above Rs 5,000. The SLDB has employed 4 Sale Officers who are inspectors of the Department of Co-operation. Some of the PLDB have also appointed sale officers who help in collection of the dues of the banks and in this work they are also assisted by the valuation inspectors of the PLDB. Thus, the SLDB and the PLDB are heavily dependent on the government staff for formulation of schemes, technical appraisal of individual loan applications, supervision over utilisation and, to a great extent, for recovery also. Lack of adequate expertise in term lending has, therefore, been an inhibiting factor which, in recent times, has been engaging the attention of the SLDB and action is under way to build up the technical division of the bank for formulation of special schemes and for appointment of agricultural officers in all the PLDB when it is expected to bring about improvement in the promotional and extension activities.

2.14 Considering the none-too-satisfactory procedures obtaining in the LT wing which had not made the desired progress, the question that engaged the attention of the Group was whether the work could not be handled by the branch manager and other complementary staff of the CCB. The other aspect considered by the Group was whether the field staff for supervision over the PACS could not also supervise regularly the beneficiaries of LT loans. The idea underlying these two issues will, in the opinion of the Group, bring into focus whether or not any advantage can accrue if integration is brought about at the primary and intermediate levels which will ensure that (i) there will be more continuous, close and sustained supervision and (ii) there will be savings in costs by avoiding duplication. These issues are dealt with in greater detail in the succeeding paragraphs of this report. However, it is clear to the Group that in the ST co-operative credit wing in Kerala, supervision is fairly extensive and is carried out by staff with adequate

experience and training in field work. The deployment of supervisory staff by the CCB in their areas of operation ensures satisfactory supervision over the end-use of credit. Under the existing procedure followed by the PLDB, the examination of the title to security property is left to the legal assistants in the employ of the banks and invariably the banks also obtain legal opinion from advocates who are retained for that purpose. Such examination of the legal aspects can, in the opinion of the Group, as well be undertaken by the legal officers of the integrated district level banks with such legal advice from their lawyers as may be necessary. This suggestion is made on the assumption that the existing procedure for scrutiny of title, etc., will continue. This issue is further discussed elsewhere in the report. Supervision of the end-use of the term credit should not also pose any problem.

CHAPTER 3

BUSINESS AND INCOME PROJECTIONS

Primary Agricultural Credit Societies

3.1 The levels of the loan business of the PACS in the districts of Cannanore and Palghat as at the end of 1974-5 are given below :

TABLE 14

							Amount in Rs Lakhs	
							CANNANORE	PALGHAT
Number of societies	..	..	..	..	..	..	206	95
ST agricultural loans	..	..	..	..	..	..	597.97	813.88
Total loans outstanding	..	..	..	..	..	..	668.04	835.03
Average loan outstanding per society	..	..	..	..	..	..	3.2	8.8

3.2 Although the above averages may tend to indicate that the PACS are mostly viable and strong, the position is not really so because in 111 out of the 206 societies in Cannanore and 22 out of 95 societies in Palghat, the loans are less than Rs 2 lakhs each as may be seen from Statement 6. Because a few large-sized service co-operative banks and rural banks had fairly large business turnover, the averages were high and, therefore, portrayed a complacent picture about the viability of

the societies. However, the failure of many societies to attain viability was not so much due to their organisational or operational inefficiency, but rather due to certain artificial restrictions imposed by the CCB and the PACS. For instance, most of the societies were insisting on mortgage of land as security for production credit beyond Rs 500 per individual borrower in certain areas and Rs 1000 in certain other areas. Except in the hilly areas in Cannanore district, the Individual Maximum Borrowing Power was quite low at about Rs 1000 in a large number of societies and Rs 500 in several others. Since the members were eligible for larger credit and the banks and the societies had adequate resources and borrowing power, it would be possible to increase the loan business in the two districts if the artificial barriers were removed.

3.3 As regards future credit potential in the districts, certain special features of the agricultural pattern in Kerala such as large-scale mixed and inter-cropping, frequent changes in cropping patterns, etc., made it difficult to estimate the production credit requirements in any district with a fair degree of accuracy. The wages for agricultural labour and other cultivation expenses were so high and also varying from district to district, that the usual method of estimating the credit requirements at the average rates of Rs 250 per ha for irrigated lands and Rs 125 per ha for non-irrigated lands was quite unsuited to the state. In all the districts the actual credit provided by the CCB had already exceeded the levels, if the estimate made was on the above basis. There have also been no systematic exercises done in the matter of district level credit planning either by the state government or by the CCB. Taking into account all these factors, the most appropriate basis to estimate the credit requirements appeared to be the average scales of finance adopted by the CCB for the different crops.¹ On this basis, the production credit requirements for Cannanore and Palghat Districts worked out to Rs 3801 lakhs and Rs 4329 lakhs, respectively. Assuming that the actual credit requirements will be about 60 per cent of the gross potential and also that the PACS will meet by the end of 1978-9 atleast 40 per cent of the credit requirements, the targets for Cannanore and Palghat districts may be fixed at Rs 900 lakhs and Rs 1100 lakhs, respectively, as against the outstandings of Rs 598 lakhs and Rs 814 lakhs, respectively, as at the end of 1974-5.

3.4 In regard to the resources for these lending programmes, it was observed that the present level of involvement of the PACS from their own resources in agricultural loans was substantial, thanks to their

¹This method was adopted by the Study Team on the Two-tier Co-operative Credit Structure in Kerala appointed by the RBI in 1972.

large deposit portfolios. The present resources position and involvement of the societies in production credit are given in Table 15.

TABLE 15

		Rs Lakhs	
		CANNANORE	PALGHAT
A. Resources			
Paid-up capital		167.04	112.96
Reserve fund		24.49	35.61
Other reserves		55.92	108.86
Deposits ..		359.09	364.67
Total ..		606.54	622.10
B. Involvement			
ST advances		597.57	813.88
Less Borrowings		313.54	294.61
Total Involvement		284.03	519.27

3.5 It is assumed that the involvement of the PACS at best will be of the order of Rs 350 lakhs in Cannanore district and Rs 600 lakhs in Palghat district by the end of 1978-9. The borrowing requirements of the societies will, therefore, be as given below:

TABLE 16

		Rs Lakhs	
		CANNANORE	PALGHAT
Expected level of outstanding loans	.. ..	900	1100
Involvement from own resources ..	.. ..	350	600
Borrowing requirements ..		550	500

3.6 As regards investment credit (including MT and LT) the present levels at the PACS and the PLDB are as under:

TABLE 17

		Rs Lakhs	
		CANNANORE	PALGHAT
MT loans	..	66.08	21.15
LT loans	..	358.03	102.64
Total		424.11	123.79

3.7 It may be observed that the performance of the LT structure was quite poor as compared to the large potential for diverse types of investments in the two districts. The programmes for investment credit in the districts for the next 3 years are of the following order:

TABLE 18

							Rs Lakhs	
							CANNANORE	PALGHAT
1.	Ordinary lendings	..	..	..	..	..	170	75
2.	Special schemes under implementation	..	..	..	..	..	90	76
3.	Schemes pending sanction and under preparation	..	..	..	..	..	40	216
4.	World Bank's schemes	..	..	..	..	..	300	—
							600	367

3.8 Providing for deficits in achievement, delays, rephasing, etc., it is estimated that a minimum disbursement of Rs 400 lakhs in Cannanore district and Rs 200 lakhs in Palghat district is capable of achievement during the next 3 years. As regards MT investment credit, it is estimated that the lendings will be of the order of Rs 75 lakhs and Rs 25 lakhs, respectively, in Cannanore and Palghat districts. As the resources available with the primaries have been set off against ST credit, the entire amount of investment credit will be matched by corresponding borrowings from the higher financing agency. The outstandings under investment credit as at the end of 1978-9 are expected to be of the following order:

TABLE 19

										Rs Lakhs	
										CANNANORE	PALGHAT
Existing LT loans	..	..	..	..	..	..	..	..	..	358	103
Existing MT loans	..	..	..	..	..	..	..	..	..	66	21
										424	124
Fresh LT loans								..		400	200
Fresh MT loans								..		75	25
										899	349
										185	55
Less recoveries at 3/10 of existing LT and full MT	..	..	..	..	..	..	..	..	..	714	294
Outstandings	..	..	..	..	..	..	..	..	..	725	300
										say	say

3.9 The overall position of all types of advances of the PACS after integration will be as under:

TABLE 20

								Rs Lakhs	
								CANNANORE	PALGHAT
Production credit	..	..	..	..	..	..	..	900	1100
Investment credit	..	..	..	..	..	..	..	725	300
								1625	1400
Average per society	..	..	..	..	..	..	..	7.9	14.7

3.10 The total likely borrowings of the PACS from the higher financing agency will be as under:

TABLE 21

								Rs Lakhs	
								CANNANORE	PALGHAT
Production credit	..	..	..	..	..	..	..	550	500
Investment credit	..	..	..	..	..	..	..	725	300
Total								1275	800

District Level

3.11 A combined balance sheet and profit and loss account of the integrating banks namely, the CCB and the PLDB in the districts of Cannanore and Palghat are given in Statements 7, 8, 9 and 10.

3.12 On the basis of the requirements of the PACS, the agricultural advances of the integrated district banks as at the end of 1978-9 may be estimated to be of the order of Rs 1,275 lakhs in Cannanore district and Rs 800 lakhs in Palghat district. It is also estimated that the outstandings under non-agricultural credit in the 2 districts will be Rs 300 lakhs and Rs 400 lakhs, respectively, as against the existing levels of Rs 175 lakhs and Rs 218 lakhs, respectively. Assuming a modest level of increase in the own resources of the integrated district level banks and also assuming that about 60 per cent of the own resources will be available for lending business, a rough and ready estimate of the district banks' resources and their deployment as on 30 June 1979 is projected in Table 22.

3.13 In making the above projections, it is presumed that the PACS will hold shares in the district banks at 10 per cent for production credit,

TABLE 22

		Rs Lakhs			
		CANNANORE		PALGHAT	
		Existing	Projected	Existing	Projected
		1	2	3	4
A. Resources					
1.	Paid-up capital	130	200	94	150
2.	Reserves including accrued profits ..	41	45	44	50
3.	Deposits	208	350	347	500
Borrowings					
(a)	Production credit	681	410	321	375
(b)	Investment credit		615		255
(c)	Non-agricultural credit		190		150
5.	Other miscellaneous items	41	50	35	50
Total ..		1101	1860	841	1530
B. Deployment					
1.	Liquid resources, share holdings and other investments	124	238	163	280
Advances					
(a)	Production credit for agriculture ..	314	550	295	500
(b)	Investment credit	445	725	126	300
(c)	Other credit	175	300	218	400
3.	Other items	43	47	39	50
Total ..		1101	1860	841	1530

5 per cent for investment credit and 5 per cent on an average for other types of credit. On this basis, the paid-up capital of the Cannanore bank will be Rs 105 lakhs and that of the Palghat bank Rs 85 lakhs. With more or less matching government contribution, the total paid-up capital is estimated at Rs 200 lakhs for Cannanore bank and Rs 150 lakhs for Palghat bank. No substantial increase is envisaged in the reserves. In the context of the special efforts for deposit mobilisation in the offing by the banks, it is anticipated that the deposits will reach the levels of Rs 350 lakhs in Cannanore and Rs 500 lakhs in Palghat. About 40 per cent of the own resources is likely to be locked up in liquid resources, shares in the apex bodies and other fixed assets, etc., and the remaining 60 per cent is treated as available for loan business. On this basis, the aggregate borrowings of the district banks are estimated. It is also presumed that the district level banks will have to absorb about 25 per cent of overdues under production credit and 15 per cent of overdues under investment credit. The corresponding borrowings have been calculated at 75 per cent and 85 per cent, respectively of the advances. The balance requirements under borrowings will be for non-agricultural credit.

3.14 On the basis of the advances outstanding as at the end of 1978-9 (as indicated in the foregoing paragraphs), it will be possible for each of the 15 branches of the Cannanore bank (including the proposed 5) and the 10 branches of the Palghat bank to have an average credit business of more than Rs 100 lakhs. Therefore, not only will the integrated district banks be strong institutions but individual branches also will be viable and strong.

Working Expenses and Economies of Primary Societies

3.15 When the PACS undertake dispensation of all types of credit, each society should have at least one paid secretary, one clerk and a peon. The minimum expenditure of a society will be about Rs 9,000 per annum as under :

Salary of a Secretary	Rs 3000 per annum
„ Clerk	Rs 2400 „
„ Peon	Rs 1800 „
Rent, stationery, etc.	Rs 1800 „
Total	Rs 9000 „

3.16 The society should be able to earn a net profit of at least Rs 3000 so that it can declare dividend at a reasonable rate on the paid-up capital subscribed by the members. Thus, a gross earning of Rs 12,000 per year has to be ensured. The main item of income is interest on advances. While the margin on ST credit will be $2\frac{1}{2}$ per cent on borrowed funds and about $3\frac{1}{2}$ per cent on advances from own resources, the margin on LT credit will be only 1 per cent. If an average margin of 2 per cent is adopted, each society should have an average loan business of Rs 6 lakhs to earn a sum of Rs 12,000 per annum. This will be possible in the districts selected for the study as the average loan outstanding per society will be about Rs 7.9 lakhs in Cannanore and about Rs 14.7 lakhs in Palghat. The actual working pattern of a few PACS is given in Statement 11. It may be observed therefrom that the societies are undertaking non-credit activities also and their staff strength is actually more than what has been indicated above. But it is assumed that the earnings out of non-credit activities will support the additional staff requirements and leave some profit which may have to be utilised for creating provisions against any possible loss in such business on account of deficits in stock, fluctuations in prices, etc.

Working Expenses and Economies of District Banks

3.17 In regard to the district level banks, a projected income and expenditure statement is given below separately for the two districts:

TABLE 23

		Rs Lakhs			
		CANNANORE		PALGHAT	
		Existing	Projected	Existing	Projected
<i>Income</i>					
1.	Interest on ST advances at 10 per cent	90	55	74	50
2.	Interest on investment credit at 10 per cent		73		30
3.	Interest on non-agricultural credit at 15½ per cent		46		62
4.	Interest on investment of liquid assets at 5 per cent	1	4	1	6
5.	Dividend on share capital, etc. ..		2		2
6.	Brokerage, discount, etc. ..		1		1
7.	Administration fees, valuation fees, admission fees, etc.	10*	2	15**	1
		101	183	91	152
<i>Expenditure</i>					
1.	Interest on deposit at 9½ per cent ..	61	33	49	48
2.	Interest on short-term borrowings at 8 per cent		32		30
3.	Interest on long-term borrowings at 9 per cent		54		25
4.	Interest on borrowings for non-agricultural credit at 13½ per cent ..	19	26	12	20
5.	Salaries and allowances, etc. ..		28		20
6.	Other expenditure		6		4
		95	179	89	147
7.	Profit	6	4	2	5
(The profits have gone down in Cannanore because provision has been made for 5 new branches (from 10 to 15 branches) proposed to be opened which may not work in profit during the initial years.)					

*Includes subsidies, donations, etc., also.

**Includes reserves released and created and similar adjustment entries and net loss of Rs. 2.15 lakhs of PLDB.

3.18 The interest rates and margins on ST agricultural credit and non-agricultural credit have been taken at the existing rates. In regard to LT and MT credit, it is assumed that a uniform rate of interest will be charged and also that the available margin of 3 per cent will be shared among the 3 tiers equally at 1 per cent each. The Group is of the view that the interest on all types of investment credit should be

the same irrespective of whether the loan was given as MT or LT, because the period was determined on the basis of repaying capacity only. Although it was originally suggested to the Group that the district level bank may retain a margin of $\frac{1}{2}$ per cent on LT advances and make available to the PACS a margin of $1\frac{1}{2}$ per cent, the Group feels that the district level bank should have higher margin because the entire loan processing and supervision will have to be done by it.

3.19 It may be observed from the expenditure indicated above that the profits of the two banks would have been much higher but for the increase in the cost of staff. The staffing pattern as indicated in Statement 12 and summarised in para 4.8 has been proposed with a view to ensuring that the entire work of loan processing and sanctioning will be done at the branch level for which substantial delegation of powers and detailed instructions would be called for. Details relating to the existing staffing pattern is also furnished in Statement 13. Further, it should be possible for the district banks to appoint their own staff for valuation, supervision and also provide technical guidance, without depending upon the government staff for such purposes except in the transitional stage. Accordingly, it has been provided that in the Head Office there should be General Manager, Deputy General Manager, Chief Accountant, Executive Officers, Development Officer, Technical Manager, Law Officer and Statistical Officer. In each of the branches, there will be a Branch Manager, an Assistant Executive Officer, a Head Accountant, a Technical Officer, an Assistant Law Officer and adequate number of clerical and other staff. The number of supervisors has been fixed at 40 for each of the district level banks. It should be possible for supervisors to attend to the work connected with all types of credit as well as non-credit activities. The number of societies per supervisor will not exceed five. In Palghat, it will be much less but in view of the large scope for extension work as also supervision of non-credit societies, the number has been retained. Taking into consideration the greater responsibility of the officials as a consequence of the taking over of LT credit also, their status and salary scales have been improved as compared to the present levels. Incidentally, it may also be observed that the profit position would have been more in the Cannanore district if provision had not been made for 15 branches including the additional five branches proposed to be opened by the CCB in the district.

3.20 The fact that the district banks can function profitably after employing adequate number of staff without depending upon government machinery is a strong factor to be reckoned with while considering

the question of the necessity of retaining the middle tier in the ST credit structure. The Study Team on the Two-tier Structure in Kerala had recommended that the performance of the CCB might be watched during the five years ending 1977-8 and, if necessary, the question of abolishing one tier might be re-examined. If all types of credit are integrated, it may be necessary to retain the middle tier so that supervision over the PACS will be effective.

3.21 It is envisaged that most of the loan cases will be disposed of at the branch level of the district bank. It will, therefore, be necessary to constitute branch level committees and vest them with adequate powers. The services of the non-official co-operators now obtaining in the PLDB will, therefore, continue to be available at the branch level in a more co-ordinated manner.

CHAPTER 4

PROCEDURE FOR INTEGRATION

4.1 The Group feels that the problems as discussed below are likely to arise as a result of the proposed integration of the intermediate and primary levels.

4.2 After integration at the intermediate level, the general body and the boards of directors of both the SCB and the SLDB will be constituted with the representatives of the integrated district level banks. The working of the district banks will be controlled and supervised by both the apex banks and dual supervision may cause difficulties to both the supervising banks as well as district level banks.

4.3 At present the SLDB has three regional offices. When the district level banks are given the powers to sanction all types of loans at the level of their branches, it may not be necessary to continue the regional offices. The surplus staff will have to be accommodated suitably and if, consequently, the bank finds that the staff is surplus, such surplus will have to be accommodated suitably in the SCB and/or the new district level banks. The latter may also find it useful to have the services of the

experienced personnel in the large number of expansion posts envisaged in the proposed staffing pattern.

4.4 At present the CCB do not have individual membership. If the PLDB are integrated with the CCB, the question of admitting the individual members of the former in the resulting institutions may arise. Since it is the intention that LT loans will be disbursed by the PACS in future and since the existing borrowers of LT loans will need production credit and hence most of them have to be necessarily members of the PACS, it is advisable to transfer the membership of the PLDB to the PACS. The assets and liabilities of the PLDB will have to be divided and transferred to two institutions, viz., the concerned PACS and the district level bank. The paid-up share capital, loans outstanding and interest accrued will be transferred to the PACS which will hold matching shares in the district level bank and also show corresponding liabilities to that bank for the transferred loans and interest.

4.5 Necessary amendments will have to be made to the provisions of the Kerala Co-operative Societies Act so as to extend to the PACS the provisions relating to the special procedures prescribed for recovery of dues to the SLDB, PLDB, etc.

4.6 At present, as per Rule 56 of the Kerala Co-operative Societies Rules, no financing bank or credit societies other than a PACS with unlimited liability, a PLDB and a society, the object of which is to grant LT loans exclusively on the mortgage of immovable properties, shall grant loan for periods exceeding 5 years. The Rule may have to be amended suitably.

4.7 As the restrictive provisions may be mostly common to all states, it is expected that the Committee will also suggest appropriate amendments to the relevant sections in the Act and the Rules and also formulate model bye-laws for the integrated district and primary institutions.

4.8 One of the most serious problems that may normally be expected to arise in connexion with the integration of the institutions is the integration of staff. The existing staff position in the CCB and the PLDB in the two districts and the proposed staffing pattern for the integrated district level bank are indicated in Table 24.

4.9 It may be observed from Table 24 that the proposed strength of all categories of staff is much more than the existing strength except in the case of supervisory staff in Cannanore district. There will,

TABLE 24

		CATEGORY OF STAFF					Total
		Man- agerial	Tech- nical	Super- visory	Clerical	Class IV	
CANNANORE							
A. Existing Staff							
1.	CCB	11	Nil	51	48	28	138
2.	Cannanore PLDB ..	1	Nil	3	4	2	10
3.	Kasargod PLDB ..	1	1	4	7	4	17
4.	Wynad PLDB ..	2	Nil	2	7	3	14
5.	Tellicherry PLDB ..	1	1	2	4	2	10
Total		16	2	62	70	39	189
B. Proposed Staff							
1.	Head Office ..	12	2	—	21	7	42
2.	Branch ..	45	30	15	90	60	240
3.	Field ..	—	—	40	—	—	40
Total		57	32	55	111	67	322
PALGHAT							
A. Existing Staff							
1.	CCB	16	—	36	27	28	107
2.	Palghat PLDB ..	1	—	4	7	3	15
Total		17	—	40	34	31	122
B. Proposed Staff							
1.	Head Office ..	10	2	—	18	7	37
2.	Branch ..	30	20	10	60	40	160
3.	Field ..	—	—	40	—	—	40
Total		40	22	50	78	47	237

therefore, be no problem of retrenchment. The existing employees at the clerical level and the supervisors generally have the basic qualifications and most of them have undergone co-operative training. They are, by and large, basically qualified for promotion to higher cadres and, therefore, integration will ultimately prove beneficial to the staff by widening their promotional avenues. In regard to the equation of posts, fixation of seniority and pay, etc., representative committees may have to be formed at the state level to evolve appropriate norms and prescribe procedures. Necessary statutory provisions may also have to be thought of for the purpose of facilitating such integration.

4.10 In the ultimate analysis, the Group is of the view that integration at the primary and intermediate levels will be beneficial to all concerned. The individual borrowers will benefit because they need approach only one nearby point for all their credit requirements and if at all necessary, they need go only upto the branch of the district level banks, beyond the PACS. Such branch will be at taluk or block levels in most of the cases. The overall efficiency of the combined institution will show marked improvement as a result of the larger business turnover, provision of adequate number of qualified, trained and well-paid staff, and closer supervision in smaller compact areas of jurisdiction. There may not be any reduction in cost if considered in absolute terms because it is proposed that the integrated institutions themselves should take up the full responsibility for technical and administrative supervision without depending upon the state government for the purpose.

4.11 The government staff that may be gradually released in this way can be made better use of by tightening and improving the inspection, audit and such functions. As the optimum staff pattern has been drawn up while assuming minimum level of proposed business, the same (proposed) staff will be sufficient when the credit potential is exploited in larger measure and optimum levels of business are reached. With consequent economies of scale, in a short period, the profitability of the structure as a whole will also increase.

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Trivandrum

20 March 1976

STATEMENT I

GENERAL PARTICULARS OF THE SELECTED DISTRICTS IN KERALA STATE

Items	Palghat district	Cannanore district
1. Area in square kilometres	4,400	5,706
2. Total population	16,85,342	23,65,164
3. Of which, rural	14,71,263	20,40,260
4. Number of taluks/tehsils	5	6
5. Number of NES Blocks ..	15	12
6. Number of centres with population exceeding 10,000	66	87
7. Number of villages	152	188
8. Area under cultivation (lakh ha) ..	3.65	3.54
9. Of which, area irrigated (do)	2.22	1.72
10. Area under different crops (do)		
(a) Paddy	2.24	0.98
(b) Tapioca	0.47	0.08
(c) Coconut	0.25	0.92
(d) Arecanut	0.04	0.16
(e) Pepper	0.01	0.31
(f) Banana	0.05	0.06
(g) Rubber	0.08	0.19
(h) Others	0.51	0.84
11. Sizewise distribution of holdings		
	No. Area	No. Area
(a) 1 ha and less	72,038 27,627	2,15,836 76,237
(b) 1 to 2 ha	25,784 36,286	47,874 64,545
(c) 2 to 3 ha	12,970 30,722	13,940 32,747
(d) 3 to 4 ha	7,367 25,643	6,784 23,190
(e) 4 to 5 ha	1,906 8,503	1,984 8,686
(f) Above 5 ha	3,887 36,011	3,402 73,166
12. Number of branches of commercial banks ..	104	97
13. Deposits with commercial banks (Rs lakhs) ..	3147.25	2340.46
14. Advances made by commercial banks for agriculture		
(Rs lakhs)	334.64	405.15
(a) Of which, through co-operatives	—	0.05
(b) Others	334.64	405.10

STATEMENT 2

PARTICULARS OF THE CENTRAL CO-OPERATIVE BANKS IN
CANNANORE AND PALGHAT DISTRICTS
AS ON 30 JUNE 1975

Rs Lakhs

Items	Palghat district	Cannanore district
1. Paid-up share capital	86.58	105.77
2. Statutory reserve	6.22	7.48
3. Other reserves and funds	29.96	19.72
4. Deposits ..	346.85	207.60
5. Borrowings	217.54	319.89
6. Cash on hand ..	9.79	10.43
7. Balances in current account with banks	24.69	16.05
8. Call and fixed deposits	78.60	33.04
9. Investments in government and trustee securities ..	20.24	19.38
10. Other investments	19.23	22.20
11. Loans and advances		
(a) S T agricultural	294.61	313.54
(b) M T agricultural	23.36	86.87
(c) M T conversion	—	5.76
(d) Loans to other societies ..	210.54	164.85
(e) Loans to individuals	8.05	5.49
(f) Total loans	536.56	576.51
12. Buildings and other fixed assets ..	2.58	2.83
13. Accumulated profit	4.63	4.78
14. Dividend declared for the previous year (1973-4)	0.52	—
15. Number of branches	9	10
16. Particulars of staff		
(a) Manager/Secretary	1	1
(b) Asstt. Managers/Branch Managers/Agents ..	15	15
(c) Accountants and other clerical staff	27	65
(d) Class IV staff	28	29
(e) Supervisors/field inspectors	36	29
(f) Average charge per supervisor	10	15

STATEMENT 3

PARTICULARS OF THE PRIMARY LAND DEVELOPMENT BANKS IN CANNANORE AND PALGHAT DISTRICTS AS ON 30 JUNE 1975

Rs Lakhs

Items	Palghat district	Cannanore district
1. Number of PLDB	1	4
2. Number of branches of PLDB	—	1
3. Paid-up share capital (PLDB)	7.03	23.67
4. Statutory reserve (PLDB) ..	0.18	0.62
5. Other reserve funds (PLDB)	—	8.95
6. Deposits	—	1.14
7. Borrowings from the SLDB	103.00	362.29
8. Particulars of loans and advances:		
(a) Number of indebted members ..	2305	13,773
(b) Amount	102.64	358.03
(c) Purposes		
(i) Minor irrigation (wells, pumpsets)	69.73	45.31
(ii) Land levelling, bunding, fencing, etc. ..	10.90	75.55
(iii) Orchards and plantations	8.64	143.59
(iv) Tractors/power-tillers	0.69	0.60
(v) Other productive purposes	3.83	58.23
(vi) Non-productive purposes	8.85	34.75
9. Number working at profit	—	3
10. Amount of profits for 1974-75	—	1.82
11. Number working at loss ..	1	1
12. Amount of loss for 1974-75 ..	2.15	3.48
13. Number working at no profit no loss ..	—	—
14. Dividend declared for 1974-75 ..	—	N.A.
(a) Number of societies	—	—
(b) Amount	—	—
15. Particulars of staff:		
(a) Managers/Secretaries	1	4
(b) Asstt. Managers/Branch Managers/Agents ..	1	1
(c) Accountant and office clerical staff ..	6	22
(d) Technical staff	—	2
(e) Class IV Staff	3	11
(f) Field officers/Supervisors	4	11

STATEMENT 4

BORROWERS OF PRIMARY LAND DEVELOPMENT BANKS
IN SELECTED VILLAGES

Rs Lakhs

Villages where PLDB advances are concentrated	PLDB			Name of service society (PACS) having jurisdic- tion over the village	Num- ber of mem- bers of PLDB (in Col. 2) finan- ced	Loan out- standing	
	Num- ber of mem- bers finan- ced	Loan amount				As on 30-6-75	
		Avai- led of	Out- stand- ing as on 30-6-75			ST	MT
1	2	3	4	5	6	7	8
CANNANORE DISTRICT							
1. PLDB—CANNANORE							
(a) Naduvil	214	10.25	9.85	Naduvil PACS	109	0.77	—
(b) Eruvessy	96	4.48	4.08	Eruvessy PACS	69	0.24	—
				Payyavoor PACS	19	0.09	0.05
(c) Sreekanda- puram	103	3.24	2.91	Nediyanga PACS	11	0.06	—
				Kanhillery PACS	26	0.15	—
(d) Anjarakandy	11	0.26	0.24	Anjarakandy PACS	6	0.03	0.05
(e) Padivu	17	0.87	0.73	Ulikkal PACS	7	0.11	0.02
2. PLDB—KASARGOD							
(a) Bedadka	122	4.42	3.87	Bedadka PACS	71	0.37	—
(b) Muliyar	101	3.32	2.81	Muliyar PACS	49	0.18	0.11
(c) Besa	77	2.14	1.90	Udma PACS	21	0.05	0.08
(d) Bandadukka	75	2.86	2.45	Kuttikele PACS	22	0.25	—
(e) Nileshwar	44	1.39	1.13	Nileshwar PACS	7	0.02	0.08
PALGHAT DISTRICT							
3. PLDB—PALGHAT							
(a) Muthalamada	219	15.57	11.61	Muthalamada PACS	53	0.57	—
(b) Pudussery	176	11.95	10.32	Kanjikode PACS	60	0.53	—
(c) Kozhipathy	120	10.69	9.32	Moongilmada PACS	22	0.26	—
(d) Vatakarpathy	85	6.32	5.52	Kozhipara PACS	50	0.95	—
(e) Manjikunnaro- pathy	70	4.60	4.39	Kozhinjampara PACS	32	0.58	—

STATEMENT 5

BORROWERS OF PRIMARY AGRICULTURAL CREDIT SOCIETIES—CANNANORE AND
PALGHAT DISTRICTS

Rs Lakhs						
Name of Society	Number of borrowers	Loans outstanding as on 30-6-1975		Number of borrowers of PLDB in the area of the credit society	LT loans from PLDB	
		ST	MT		Availed of	Out-standing
1	2	3	4	5	6	7
CANNANORE DISTRICT						
1. Anjarakandy PACS ..	1802 (6)	4.12 (0.03)	3.38 (0.05)	6	0.16	0.15
2. Ullikal PACS ..	1591 (7)	7.90 (0.11)	0.37 (0.02)	7	0.22	0.20
3. Trikkaripur PACS	3231 (7)	14.20 (0.01)	— (0.03)	23	0.48	0.43
4. Nileshtar PACS	1387 (7)	19.47 (0.01)	— (0.08)	44	1.39	1.13
5. Kotachery PACS	2703 (3)	18.22 (0.04)	— (0.01)	20	0.64	0.54
PALGHAT DISTRICT						
1. Alathur PACS	3412	11.46	3.12	11	0.75	0.54
2. Peruvemba PACS	1890 (5)	14.21 (0.03)	6.62 (0.07)	8	0.32	0.23
3. Koduvayur PACS	932 (3)	4.21 (0.01)	1.97 (0.03)	8	0.48	0.28
4. Kannampara PACS ..	3192 (6)	8.63 (0.04)	0.12 (—)	10	0.52	0.36
5. Kottayi PACS	1200 (2)	7.27 (0.01)	0.07 (—)	7	0.24	0.18

Figures in brackets under columns (3) and (4) indicate the borrowings of members of PLDB in the area of service societies.

STATEMENT 6

PARTICULARS OF PRIMARY AGRICULTURAL CREDIT SOCIETIES IN CANNANORE AND PALGHAT
DISTRICTS AS ON 30 JUNE 1975

Items	Rs Lakhs	
	Palghat district	Cannanore district
1. Number	95	206
2. Of which, state partnered	67	184
3. Of which, having full-time paid Secretaries	90	202
4. Total membership ..	1,88,460	3,26,141
5. Villages covered (Percent)	99	100
6. Total paid-up capital	112.96	167.04
7. Of which, government share capital	21.98	41.82
8. Statutory reserve (as on 30-6-1974) ..	35.61	24.49
9. Other reserves and funds	108.86	55.92
10. Deposits	364.57	359.09
11. Borrowings from the central bank } 12. Other borrowings	472.15	434.05
13. Investments ..	85.00	84.00
14. Loans and advances:		
(a) ST agricultural	813.88	597.57
(b) MT agricultural	21.15	66.08
(c) MT conversion	—	4.39
(d) Others ..	—	—
(e) Total ..	835.03	668.04
15. Loans overdue ..	216.92	190.57
16. Number working at profit	69	141
17. Amount of profit ..	48.12	20.18
18. Number working at loss	26	65
19. Amount of loss	9.04	10.96
20. Number of societies working at no-profit no-loss ..	—	—
21. Number of societies declaring dividend for 1974-75 ..	N.A.	N.A.
22. Classification of societies according to outstanding loans:		
(a) Number with outstandings below Rs 50,000/- ..	8	17
(b) Number with outstandings between Rs 50,001/- and Rs 1,00,000/-	6	45
(c) Number with outstandings between Rs 1,00,001/- and Rs 1,50,000/-	5	35
(d) Number with outstandings between Rs 1,50,001/- and Rs 2,00,000/-	3	14
(e) Number with outstandings between Rs 2,00,001/- and Rs 5,00,000/-	28	45
(f) Number with outstandings above Rs 5,00,001/- ..	38	50

STATE

CONSOLIDATED BALANCE SHEET OF THE CENTRAL CO-OPERATIVE BANK AND

AS ON

Liabilities	Central Co-op. bank	Kasargod PLDB	Canna- nore PLDB	Telli- cherry PLDB	Wynad PLDB	Total
	1	2	3	4	5	6
1. Paid-up capital ..	105.77	6.32	5.11	6.46	5.80	129.46
2. Reserves ..	26.35	0.88	0.19	0.15	0.40	27.97
3. Total owned funds ..	132.12	7.20	5.30	6.61	6.20	157.43
4. <i>Deposits</i>						
(a) Fixed	113.68	0.29	0.25	—	—	114.22
(b) Others	93.92	—	0.10	0.29	0.04	94.35
5. Total deposits ..	207.60	0.29	0.35	0.29	0.04	208.57
6. <i>Borrowings</i>						
(a) ST ..	257.73	—	—	—	—	257.73
(b) MT ..	61.17	—	—	—	—	61.17
(c) LT ..	0.99	98.18	63.40	95.46	103.54	361.57
(d) Others	—	0.13	—	—	0.08	0.21
7. Total borrowings ..	319.89	98.31	63.40	95.46	103.62	680.68
8. Interest payable ..	5.40	1.09	0.50	2.00	2.77	11.76
9. Overdue interest reserve..	4.14	2.77	0.40	2.96	7.35	17.62
10. Other liabilities ..	15.18	1.82	0.33	0.82	0.23	18.38
11. Total of items 8 to 10 ..	24.72	5.68	1.23	5.78	10.35	47.76
12. Credit balance in P. & L. A/c.	6.51	1.31	0.58	1.43	—	9.83
13. Total	690.84	112.79	70.86	109.57	120.21	1104.27

* Certain minor discrepancies in decimal points as between the above balance sheet and information given in Statements 1, 2, 3 and 6 furnished by the banks not reconciled. Also exclude contra items.

MENT 7

THE PRIMARY LAND DEVELOPMENT BANKS IN CANNANORE DISTRICT

30 JUNE 1975*

Rs Lakhs

Assets	Central Co-op. bank	Kasargod PLDB	Canna- nore PLDB	Telli- cherry PLDB	Wynad PLDB	Total
	7	8	9	10	11	12
1. Cash on hand	24.54	0.62	0.14	0.35	0.18	25.83
2. Balances with other banks	38.07	0.73	2.24	0.63	0.63	42.30
3. Investments ..	38.47	4.12	2.88	3.92	4.37	53.76
4. Total of items 1 to 3 ..	101.08	5.47	5.26	4.90	5.18	121.89
5. <i>Advances</i>						
(a) Short-term	479.75	—	—	—	—	479.75
(b) Cash credit and over- draft	—	—	—	—	—	—
(c) Medium-term ..	93.91	—	—	—	—	93.91
(d) Long-term ..	2.85	97.00	65.40	97.95	97.68	360.88
6. Total advances	576.51	97.00	65.40	97.95	97.68	934.54
7. <i>Other items</i>						
(a) Interest due	8.97	5.08	—	5.11	10.38	29.54
(b) Land and Buildings	1.36	—	—	—	0.04	1.40
(c) Furniture, etc.	0.73	0.07	0.15	0.10	0.09	1.14
(d) Other assets ..	2.19	5.17	0.05	1.51	3.36**	12.28
8. Total of item 7 ..	13.25	10.32	0.20	6.72	13.87	44.36
9. Total assets	690.84	112.79	70.86	109.57	120.21	1104.27

**Excludes Rs 3.48 Lakhs representing the *Dr* balance in the Profit & Loss Account.

STATE

CONSOLIDATED BALANCE SHEET OF THE CENTRAL CO-OPERATIVE BANK AND THE
AS ON

Liabilities	Central Co-op. Bank	Palghat PLDB	Total
	1	2	3
1. Paid-up capital ..	86.58	7.02	93.60
2. Reserves ..	36.18	1.01	37.19
3. Total owned funds	122.76	8.03	130.79
4. <i>Deposits</i>			
(a) Fixed ..	164.20	0.40	164.60
(b) Others	182.65	0.03	182.68
5. Total Deposits	346.85	0.43	347.28
6. <i>Borrowings</i>			
(a) ST ..	157.70	—	157.70
(b) MT	11.09	—	11.09
(c) LT ..	—	103.00	103.00
(d) Others	48.75	—	48.75
7. Total borrowings ..	217.54	103.00	320.54
8. Interest payable ..	7.82	8.37	16.19
9. Overdue interest reserve	4.55	3.95	8.50
10. Other liabilities ..	8.86	2.21	11.07
11. Total of other items (8 to 10) ..	21.23	14.53	35.76
12. Credit balance in Profit and Loss account ..	4.20	0.41	4.61
13. Total	712.58	126.40	838.98

* Certain minor discrepancies in decimal points as between the above balance sheet and information given in Statements 1, 2, 3 and 6 furnished by the banks not reconciled. Also exclude contra items.

MENT 8

PRIMARY LAND DEVELOPMENT BANKS IN PALGHAT DISTRICT

30 JUNE 1975*

Rs Lakhs

Assets	Central Co-op. Bank	Palghat PLDB	Total
	4	5	6
1. Cash on hand ..	24.01	0.65	24.66
2. Balances with other banks	95.36	0.35	95.71
3. Investments	33.18	4.63	37.81
4. Total of 1 to 3	152.55	5.63	158.18
5. <i>Advances</i>			
(a) ST Cash Credit and Overdraft	499.83	—	499.83
(b) MT	31.91	—	31.91
(c) LT	4.82	102.64	107.46
6. Total advances	536.56	102.64	639.20
7. <i>Other items</i>			
(a) Interest due	12.65	9.41	22.06
(b) Land and Buildings	1.28	0.79	2.07
(c) Furniture, etc.	0.88	0.10	0.98
(d) Other assets ..	8.66	5.68	14.34
8. Total of other items	23.47	15.98	39.45
9. Excess of liabilities over assets	—	2.15	2.15
Total	712.58	126.40	838.98

STATEMENT 9

CONSOLIDATED PROFIT AND LOSS ACCOUNT OF CENTRAL CO-OPERATIVE
BANK AND PRIMARY LAND DEVELOPMENT BANKS IN PALGHAT DISTRICT
FOR THE YEAR ENDED 30 JUNE 1975

				Rs Lakhs
Particulars	Central Co-op. Bank	Palghat PLDB	Total	
I. INCOME				
1. Interest earned ..	64.25	9.73	73.98	}
2. Interest on investment ..				
3. Other income	12.57	4.06	16.63*	
Total	<u>76.82</u>	<u>13.79</u>	<u>90.61</u>	
II. EXPENDITURE				
1. Interest on borrowings ..	40.51	8.01	48.52	}
2. Interest on deposits ..				
3. Establishment including Travelling Allowances	11.25	0.96	12.21	
4. Reserves created ..	18.65*	6.97	25.62*	
5. Travelling Allowances, etc., to Directors	0.17	—	0.17	
6. Other charges ..	2.04	—	2.04	
Total	<u>72.62</u>	<u>15.94</u>	<u>88.56</u>	
Net Profit (+)/Loss (—)	(+)4.20	(—)2.15	(+)2.05	

*Includes reserves for overdue interest, etc., created and released by charging to the Profit and Loss Account.

STATEMENT 10

CONSOLIDATED PROFIT AND LOSS ACCOUNT OF CENTRAL CO-OPERATIVE
BANK AND PRIMARY LAND DEVELOPMENT BANKS IN CANNANORE DISTRICT
FOR THE YEAR ENDED 30 JUNE 1975

Rs Lakhs						
Particulars	Central Co-op. Bank	Primary Land Development Banks				Total
		Kasar- god	Canna- nore	Telli- cherry	Wynad	
I. INCOME						
1. Interest ..	64.84	6.72	4.41	7.22	6.77	89.96
2. Interest on investment						
3. Other income	7.24	1.24	0.14	0.75	1.99	11.36
Total ..	72.08	7.96	4.55	7.97	8.76	101.32
II. EXPENDITURE						
1. Interest on borrowings	38.00	5.98	3.42	6.23	7.20	60.83
2. Interest on deposits						
3. Establishment including Travelling Allowance ..	15.56	1.05	0.48	0.56	0.89	18.54
4. Travelling Allowance, etc., to Directors ..	0.31	—	—	—	—	0.31
5. Other charges	13.36	0.49	0.23	0.21	0.79	15.08
Total ..	67.23	7.52	4.13	7.00	8.88	94.76
Net Profit (+)/Loss (-) ..	(+)4.85	(+)0.44	(+)0.42	(+)0.97	(-)0.12	(+)6.56

STATEMENT 11

PARTICULARS OF SELECTED PRIMARY AGRICULTURAL CREDIT SOCIETIES
30 JUNE 1975

Rs Lakhs

	Trikari- pur PACS	Anjara- kandy PACS	Kodu- vayur PACS	Alathur PACS	Kan- nambra PACS
	(1)	(2)	(3)	(4)	(5)
A. LIABILITIES					
1. Share capital	2.15	1.50	1.07	1.61	2.05
2. Reserves ..	0.44	0.11	3.05	4.65	0.84
3. Deposits ..	6.12	3.70	3.23	7.26	7.01
4. Borrowings					
(a) ST ..	0.62	1.24	1.80	—	5.72
(b) MT ..	6.77	0.83	—	—	—
(c) Conversion	—	—	—	—	—
(d) Others	0.38	0.25	0.39	0.60	4.82
5. Other liabilities	1.16	2.59	3.95	7.79	9.12
6. Profit ..	0.40	0.01	0.30	0.04	0.70
7. Total	18.04	10.23	13.79	21.95	30.26
B. ASSETS					
1. Cash and bank balances	0.78	0.68	0.24	0.59	0.27
2. Investments ..	1.12	0.54	2.40	1.90	1.70
3. Loans outstanding					
(a) ST ..	1.65	2.03	2.76	11.46	8.35
(b) MT ..	6.86	3.14	—	3.12	0.12
(c) Conversion	—	—	—	—	0.01
(d) Others	5.68	2.32	3.41	—	7.80
4. Fixed assets ..	0.65	0.46	0.21	2.54	0.98
5. Stock-in-trade	1.30	0.51	0.72	0.73	1.56
6. Sundry debtors	—	0.05	—	—	—
7. Other receivable (including interest)	—	0.50	4.05	1.61	9.47
8. Loss, if any ..	—	—	—	—	—
9. Total	18.04	10.23	13.79	21.95	30.26
C. INCOME (For The Year 1974—5)					
1. Interest earned ..	1.28	0.78	0.62	1.33	1.46
2. Income from non-credit activities ..	0.30	1.47	0.91	0.48	1.90
3. Other income ..	1.01		0.38	0.19	
4. Grants/Subsidies ..	0.02	0.03	—	—	—
5. Total	2.61	2.28	1.91	2.00	3.36

(Contd.)

STATEMENT 11 (Contd.)

PARTICULARS OF SELECTED PRIMARY AGRICULTURAL CREDIT SOCIETIES

	Rs Lakhs				
	Trikari- pur PACS	Anjara- kandy PACS	Kodu- vayur PACS	Alathur PACS	Kan- nambra PACS
	(1)	(2)	(3)	(4)	(5)
D. EXPENDITURE (FOR THE YEAR 1974-5)					
1. Interest ..	0.62	0.36	0.29	0.44	1.34
2. Salary and allowances	0.68	0.84	0.48	0.68	1.12
3. Other administrative expenses	—	1.07	—	0.27	0.10
4. Provisions/reserves	0.81	—	—	—	0.10
5. Other items	—	—	0.84	0.57	—
6. Profit	0.40	0.01	0.30	0.04	0.70
7. Total	2.51	2.28	1.91	2.00	3.36
E. GENERAL PARTICULARS					
1. Total population ..	32534	15051	35410	59840	50000
2. Number of members	4336	3205	1899	3413	3192
3. Number of borrowing members	3936	2342	932	2608	1836
4. <i>Strength of staff</i>					
(a) Secretary	1	1	1	1	1
(b) Ration Shop Managers/ Salesman	12	6	1	15	N.A.
(c) Appraisers/Clerks/ Accountants, etc.	5	12	4		
(d) Peons, etc.	3	3	2		
5. Existing LT loan outstanding in the area	0.13	0.32	N.A.	N.A.	0.14
6. Whether has an owned/ hired office building ..	Own building	Own building	Own building	Own building	Own Head Office and rented branch office

STATEMENT 12

PROPOSED STAFFING PATTERN AND COST OF ESTABLISHMENT FOR THE INTEGRATED DISTRICT LEVEL BANK

Sl. No.	Designation	Strength	Scale of Pay	Average total emoluments	Total cost	
					Cannanore	Palghat
1	2	3	4	5	6	7
			Rs.	Rs.	Rs.	Rs.
A. Head Office						
1.	General Manager	.. 1	700—1450	1,400	1,400	1,400
2.	Deputy General Manager	1	600—1200	1,100	1,100	1,100
3.	Chief Accountant	.. 1	500—1100	950	9,500	7,600
4.	Executive Officers/Inspecting Officers	.. 6 C	—do—	950		
5.	Development Officer	.. 1	—do—	950		
6.	Technical Manager	.. 1	—do—	950		
7.	Law Officer	.. 1	—do—	950		
8.	Statistical Officer	.. 1	400— 925	800	1,600	1,600
9.	Office Manager	.. 1	—do—	800		
10.	Accountants	.. 5 C	240— 625	550	2,750	2,200
		4 P				
11.	Clerks	.. 12 C	130— 415	350	4,200	3,500
		10 P				
12.	Typists/Steno Typists	.. 4	—do—	350	1,400	1,400
13.	Peons/Watchmen	.. 5	105— 255	240	1,200	1,200
14.	Drivers	.. 2	115— 290	300	600	600
					23,750	20,600
B. Branches						
1.	Branch Managers	.. 15 C	500—1100	950	14,250	9,500
		10 P				
2.	Assistant Executive Officers	.. 15 C	400— 925	800	12,000	8,000
		10 P				
3.	Chief Accountants	.. 15 C	—do—	800	12,000	8,000
		10 P				
4.	Technical Officers	.. 15 C	—do—	800	12,000	8,000
		10 P				
5.	Asstt. Law Officers	.. 15 C	—do—	800	12,000	8,000
		10 P				
6.	Extension Officers	.. 15 C	325— 775	650	9,750	6,500
		10 P				
7.	Accountants	.. 30 C	240— 625	550	16,500	11,000
		20 P				
8.	Clerks/Cashiers	.. 45 C	130— 415	350	15,750	10,500
		30 P				
9.	Typists	.. 15 C	—do—	350	5,250	3,500
		10 P				
10.	Peons/Watchmen	.. 60 C	105— 255	240	14,400	9,600
		40 P				
					1,23,900	82,600
C. Supervisors						
		.. 40 C	240— 625	550	22,000	22,000
		40 P				
Total of A, B and C				i.e.	1,69,650	1,25,200
					1,70,000	1,25,000
Annual Cost					20,40,000	15,00,000

C—Cannanore P—Palghat

STATEMENT 13

STAFFING PATTERN OF CO-OPERATIVE CREDIT INSTITUTIONS AS LAID DOWN BY
THE STATE GOVERNMENT

Type of institution	Designation	Scale of pay
(1)	(2)	(3)
		Rs
1. State Co-operative Bank	Secretary	900-75-1650
	Deputy Secretary	700-60-1000-75-1450
	Development Officer	500-40-620-50-870-60-1230
	Deputy Development Officer	} 415-35-625-40-825-45-1050
	Chief Accountant	
	Chief Cashier	
	Accounts Officer	
	P.A. to Secretary	340-25-465-30-615-35-790
	Senior Assistant	275-20-375-25-500-30-650
	Junior Assistant	210-15-285-20-425-25-550
	Cashier/Custodian	210-15-285-20-385-25-510-30-720
	Clerk Grade I	160-10-200-15-290-20-450
	Steno Typist	160-10-200-15-290-20-450
	Typist	160-10-200-15-290-20-450
	Clerk Grade II	150-10-200-15-290-20-410
	Typist Clerk	150-10-200-15-290-20-410
	Caretaker	150-10-200-12½-275-15-365
	Daffadar/Driver	130-8-170-10-220-12½-320
	Lift Operator	115-5-150-8-190-10-270
	Peons/Watchmen	115-5-150-8-190-10-270
	Leave Reserve Clerk	150-10-200-15-290-20-410
	Leave Reserve Cashier	210-15-285-20-385-25-510-30-720
	Leave Reserve Peons	115-5-150-8-190-10-270
2. Co-operative Central Land Mortgage Bank	Secretary	800-50-1200
	Assistant Secretary	425-25-450-30-600-40-800
	Superintendent	310-20-350-EB-25-600
	Legal Assistant	175-12½-225-EB-20-425-25-450
	Assistant/Cashier/Typist/Stenographer	110-10-180-EB-12½-230-15-290-20-350
	Attender	100-5-120-EB-8-160-10-190
	Daffadar	95-5-120-EB-8-160-10-190
	Record Keeper/Peon/Roneo Operator/Lift Operator	90-5-120-EB-8-160-10-170
3. Central Co-operative Banks	Secretary/General Manager	600-50-900-60-1200
	Assistant Secretary/Deputy General Manager	500-35-675-40-875-45-1100

(Contd.)

STATEMENT 13 (Contd.)

STAFFING PATTERN OF CO-OPERATIVE CREDIT INSTITUTIONS AS LAID DOWN BY THE STATE GOVERNMENT

Type of institution (1)	Designation (2)	Scale of pay (3) Rs
	Executive Officer	400-30-550-35-725-40-925
	Inspector of Branches	
	Marketing Officers/ Chief Accountants/ Superintendents	325-25-450-30-600-35-775
	Branch Manager	—do—
	Senior Inspector/Senior Accountant	240-15-255-20-375-25-625
	Junior Inspector/ Accountant/Bank Inspector	190-12-202-15-262-20-522 (Rs. 160-480 in the case of Bank Inspectors in Malabar area to be abolished in 2 years).
	Cashier/Clerk/Typist/ Steno Typist	130-10-160-12-220-15-325- 18-415
	Record Keeper/Bill Collector/Duffadar/ Driver/Shroff/Caretaker	115-7-150-8-190-10-230 12-290
	Peon/Watchman	105-5-120-7-155-8-195-10--255
4. Primary Land Mortgage Bank (Class I—Banks with working capital above Rs 25 lakhs)	Secretary	310-20-350-25-600
	Supervisors	225-10-245-15-350-20-450
	Accountant	140-10-290
	Senior Clerk	110-6-134-7-162-8-202-9-225
	Junior Clerks	90-5-130
	Attenders/Peons	70-3-100-4-120
Primary Land Mortgage Bank (Class II—Banks with working capital between Rs 10 lakhs and 25 lakhs)	Secretary	254-7-275-10-375
	Supervisors	200-6-260-8-300
	Accountant	100-6-134-7-162-8-202-9-220
	Junior Clerks	90-5-130
	Attenders/Peons	70-3-100-4-120
Primary Land Mortgage Bank (Class III—Banks with working capital not exceeding Rs 10 lakhs)	Secretary	200-6-248-8-300
	Supervisor	160-5-200
	Clerk	90-5-130
	Attender/Peon	70-3-100-4-120
5. Agricultural Credit Societies (Class I— Societies with working capital of Rs 50 lakhs and above and loan out- standing of Rs 25 lakhs and above)	Secretary	400-40-800
	Assistant Secretary/ Manager/Chief Accountant/Chief Cashier	300-40-700
	Head Clerk/Accountant	225-20-325-25-450
	Senior Clerks/Cashier	175-15-250-30-350
	Junior Clerks/Junior Cashier/Appraiser/Typist	130-10-190-15-250
	Attender	90-6-150
	Peons	85-5-140

(Contd.)

STATEMENT 13 (Contd.)

STAFFING PATTERN OF CO-OPERATIVE CREDIT INSTITUTIONS AS LAID DOWN BY THE STATE GOVERNMENT

Type of institution (1)	Designation (2)	Scale of pay (3) Rs
Agricultural Credit Societies (Class II—Societies with working capital of Rs 25 lakhs and above but below Rs 50 lakhs and loan outstanding of Rs 15 lakhs and above but below Rs 25 lakhs)	Secretary	350-35-700
	Assistant Secretary/ Manager/Chief	
	Accountant	250-35-600
	Head Clerk/Accountant	200-25-450
	Cashier/Senior Clerk	175-15-250-20-350
	Junior Clerk/Typist/ Junior Cashier	130-10-190-15-250
	Attender	90-6-150
Agricultural Credit Societies (Class III—Societies with working capital of Rs 15 lakhs and above but below Rs 25 lakhs and loan outstanding of Rs 10 lakhs and above but below Rs 15 lakhs)	Peon	85-5-140
	Secretary	250-15-340-20-400
	Accountant	125-8-165-10-225
	Senior Clerk	110-8-150-10-220
	Junior Clerk	100-8-140-10-200
Agricultural Credit Societies (Class IV—Societies with working capital of Rs 10 lakhs and above but below Rs 15 lakhs and loan outstanding of Rs 7.5 lakhs and above but below Rs 10 lakhs)	Attender	70-3-100-5-115
	Secretary	175-10-275
	Accountant	110-8-150-10-220
	Senior Clerk	100-8-140-10-200
	Junior Clerk	90-5-130
Agricultural Credit Societies (Class V—Societies with working capital of Rs 5 lakhs and above but below Rs 10 lakhs and loan outstanding of Rs 3 lakhs and above but below Rs 7.5 lakhs)	Attender	70-3-100-5-115
	Secretary	125-8-165-10-195
	Senior Clerk	90-5-130
	Junior Clerk	80-5-120
Agricultural Credit Societies (Class VI—Societies with working capital of Rs 2.5 lakhs and above but below Rs 5 lakhs and loan outstanding of Rs 1.5 lakhs and above but below Rs 3 lakhs)	Attender	70-3-100-5-115
	Secretary	90-5-130
	Clerk	80-5-120

REPORT OF THE STUDY GROUP
HARYANA

CHAPTER 1

INTRODUCTION

1.1 The Study Group consisted of the following members :

1. Shri I. H. Trivedi Director Agricultural Refinance and Development Corporation Chandigarh	Convener
2. Shri J. S. Chauhan Joint Registrar of Co-operative Societies Haryana Chandigarh	Member
3. Shri R. N. Bhan Deputy Chief Officer Agricultural Credit Department Reserve Bank of India Chandigarh	Member
4. Shri S. Sunderarajan Assistant Chief Officer Department of Banking Operations and Development Reserve Bank of India New Delhi	Member
5. Shri H. L. Sondh Managing Director Haryana State Co-operative Bank Ltd. Chandigarh	Member
6. Shri B. S. Chauhan Additional Secretary Haryana State Land Development Bank Ltd. Chandigarh	Member
7. Shri S. G. V. Ramanan Member-Secretary of the Committee and Director Agricultural Refinance and Development Corporation Bombay	Co-ordinating- Member

Selection of Districts

1.2 At the first meeting of the Group held on 9 December 1975, Karnal and Bhiwani districts were selected for detailed studies taking into account the norms indicated in the guidelines issued to the Study Group. The two districts had certain contrasting features. For instance, Bhiwani district had only 20 per cent area under irrigation as against 71 per cent in the Karnal district. The working of the short-term wing in Karnal district was much better, as compared to that in Bhiwani district. The CCB in Bhiwani district was identified as a weak bank and was under the programme of rehabilitation. Further, although recovery of long-term loans was good in both districts, the recovery performance of the PLDB in Karnal district was better as compared to the PLDB in Bhiwani district. The average loaning of the PLDB in Karnal district was almost twice that of the PLDB in Bhiwani district.

1.3 Field studies were undertaken by the officers of the ACD and the ARDC in January and February 1976. Information was also collected and compiled as per the proforma set by the Committee for the purpose. The Group held three meetings. The final meeting was held on 6 April 1976.

CHAPTER 2

FIELD STUDY RESULTS

General Position

2.1 Karnal district has a geographical area of 3691 sq. km. and Bhiwani district 5088 sq. km. In both the districts rural population formed around 80 per cent of the total population. The average size of holding in Karnal and Bhiwani districts was 2.7 ha and 3.8 ha, respectively. In Statements 1 to 4, we have presented certain statistical particulars relating to the two selected districts.

2.2 In Karnal district the irrigated area aggregated 2,17,000 ha and formed 71 per cent of the total area of 2,95,000 ha whereas, in Bhiwani district, the irrigated area was 91,300 ha constituting 20 per cent of

the total area of 4,64,368 ha. In both the districts, the scheme of financing of PACS by the commercial banks was in operation and the extent of finance provided by them is indicated below :

TABLE I

				Rs Lakhs	
				Karnal	Bhiwani
Total advances for agriculture	..	..	..	342.39	72.98
Of which, through co-operatives	..	..	..	89.69	43.89
Others	..	..	..	252.70	29.09

Co-operative Credit Structure

Short-term Wing

2.3 The Karnal Central Co-operative Bank through its 540 affiliated PACS (185 societies are now proposed to be retained) covered a membership of 73,000 which formed 66 per cent of the total number of 1,11,000 cultivating families in the district. However, the actual number of members who borrowed during the year 1974-5 was only 47,000, i.e., 64 per cent of the total membership. The recoveries at the level of PACS and the CCB formed 63 per cent and 73 per cent, respectively of the demand during the year 1974-5. As against an estimated annual production credit of Rs 2,337.50 lakhs (vide Statement 5) expected to be met by the societies, the actual credit disbursed by them during 1974-5 was Rs 423.89 lakhs. The total short-term loans outstanding as on 30 June 1975 were Rs 405.54 lakhs. The average loan business per society was Rs 0.81 lakh. However, consequent on the recent re-organisation of the societies in the district, each society is expected to have a loan business of at least Rs 3 lakhs. Thus, almost all the societies in the district are likely to be viable units. As the borrowing membership of the societies was less than 50 per cent of the cultivating families, there was further scope for increasing their membership; this calls for concerted extension work.

2.4 As on 30 June 1975 in Bhiwani district there were one CCB and 467 PACS. Membership of the PACS was 63,000 and formed less than 50 per cent of the cultivating families estimated at 1,31,000. The number of borrowing members was much less, viz., 33,000 i.e., 52 per cent of the total membership. The recoveries were 71 per cent of the demand at primary level and 76 per cent at the level of the CCB.

The total short-term loans issued by the societies during 1974-5 amounted to Rs 194.65 lakhs. The average credit business per society was Rs 0.53 lakh. Consequent on the re-organisation of the PACS recently completed in the district, each of the PACS would have a loan business of at least Rs 3 lakhs. Thus, all the re-organised PACS (208) are expected to be viable units. Since, the present borrowing membership of the societies was less than 30 per cent of the total cultivating families as in the case of Karnal district, extension work is needed for increasing the coverage. As against the estimated credit requirements of Rs 2,237.42 lakhs in the district, the PACS had disbursed loans of Rs 194.65 lakhs.

Supervision over the PACS

2.5 In both the districts, the supervision over the PACS was partly with the CCB and partly with the co-operation department. The PACS to be supervised by each of them were specified. The average charge per supervisor was 12 in Karnal district and 17 in Bhiwani district. Consequent on the reduction in the number of PACS due to re-organisation, the average charge per supervisor would now be 4 PACS in Karnal district and 8 PACS in Bhiwani district. The duties performed by the supervisors are as under :

- (i) Ensuring preparation of credit limit statements of the societies.
- (ii) Inspection of societies.
- (iii) Ensuring recovery of loans.
- (iv) Periodical visits to societies to ensure proper maintenance of books, etc.

Secretaries of the PACS

2.6 In accordance with a decision taken by the Haryana SCB, each CCB has to create a common cadre of full-time paid secretaries for the PACS. Such a cadre has been created in Bhiwani district but the cadre has not been created in Karnal district so far due to legal difficulties.

Qualitative Assessment of the Work done by the Supervisors

2.7 Looking to the present coverage of the societies in both the districts, it can be said that extension work has not been satisfactory for increasing the membership of the societies. The recovery performance of the societies also needs to be improved.

Long-term Wing

2.8 In Karnal district there are 2 PLDB, namely, Karnal and Panipat, each covering a tehsil of the district. The loans outstanding as on 30 June 1975 amounted to Rs 374.08 lakhs and Rs 172.48 lakhs in the PLDB at Karnal and Panipat, respectively. In Bhiwani district also there are 2 PLDB located at Dadri and Bhiwani. The Dadri PLDB covered 1 tehsil whereas the Bhiwani PLDB covered 3 tehsils of the district. The loans outstanding as on 30 June 1975 amounted to Rs 90.79 lakhs and Rs 132.58 lakhs in the PLDB at Dadri and Bhiwani, respectively. All the four PLDB should be considered viable as their loan business has exceeded the minimum level of Rs 35 lakhs in each of the banks.

2.9 The working of the PLDB, i.e., Karnal and Panipat in Karnal district, and Bhiwani and Dadri in Bhiwani district are discussed below.

Coverage

2.10 The PLDB provided long-term loans for various purposes, viz., tractors, tubewells, sinking of wells, sprinkler sets, land reclamation, soil conservation, purchase of land and cattle, redemption of debts, cattle sheds and land levelling. The number of cultivating families *vis-a-vis* the membership of the PLDB is given in the following table :

TABLE 2

PLDB	No. of cultivating families	Membership of PLDB (individuals)	No. of borrowing members	Percentage of (3) to (2)
1	2	3	4	5
Karnal	72,220	9,415	7,533	13.04
Panipat	38,479	4,509	3,463	11.72
Bhiwani	80,507	3,499	3,499	4.35
Dadri	44,072	2,298	1,568	5.21
Total	2,35,278	19,721	16,063	

It would be seen from table above that the coverage of cultivating families by the PLDB is not sizeable. The main reasons are :

- (i) some cultivators are not interested in availing long-term loans for development;
- (ii) some others carry out the development with their own resources, and

- (iii) there are also cultivators who borrow funds from commercial banks; there are as many as 55 branches of commercial banks in Karnal district and 19 in Bhiwani district.

2.11 The low coverage indicates, among other things, lack of extension work on the part of the field staff.¹ The total area under cultivation in Karnal district was 2,95,000 ha of which as much as 2,17,000 ha were irrigated, indicating very little scope for loans for minor irrigation. There is, however, good scope for loans for farm mechanization, land reclamation, land levelling, etc. In Bhiwani district, out of the total area of 4,64,368 ha under cultivation, an area of 91,300 ha only was irrigated indicating further scope for loans for minor irrigation depending on the availability of water resources. There was also demand for loans for lift irrigation, land reclamation, sprinkler sets, mechanization, etc.

Disbursement of Loans—Purpose-wise

2.12 A purpose-wise classification of long-term loans granted by the PLDB outstanding as on 30 June 1975 is given in Statements 7 and 8. It would be seen therefrom that the PLDB in Karnal and Bhiwani districts have granted loans mostly for tubewells and tractors; the other important purpose was land reclamation. There is scope for loans in the area for land reclamation, soil conservation, tractors and tubewells; there is a pressing demand for loans for these purposes, particularly for the first three.

Field Staff

2.13 There were 16 LVO in Karnal PLDB, 7 in Panipat PLDB, 4 in Dadri PLDB and 7 in Bhiwani PLDB. The PLDB were of the view that the present field staff was adequate for their present loan business as well as further programmes. The LVO were not allotted any specific number of loan cases. Three or four LVO were posted for each block, each LVO covering 30 to 40 villages and roughly 250 to 300 loan cases.

Duties of Field Staff

2.14 The duties attended to by the LVO of the PLDB were as under :

- (i) Scrutiny of loan applications, visits to the villages of the applicants, checking up the correctness of the details in the applications,

¹ Shri B. S. Chauhan does not agree with this view.

such as, land holdings of the applicants from Patwari's records, etc., personal enquiries to ascertain the need for loan, valuation of the security, calculation of repaying capacity of the applicants and preparation of the scrutiny report on the proforma prescribed by the Haryana SLDB.

(ii) Preparation of estimate for the tubewell loans, whenever the estimate is not received from the soil conservation department.

(iii) Obtaining 'no overdues' certificates in respect of loans granted by village credit society.

(iv) Obtaining first non-encumbrance (for 12 years) certificate in respect of the hypotheca from the Sub-Registrar's Office before registration of the mortgage deed and second certificate for a period of 4 months thereafter.

(v) Registration of mortgage deed at Sub-Registrar's Office, furnishing a certified copy of the registration deed to the PLDB and obtaining the certificate of entry of mutation in the revenue records.

(vi) Verification of utilisation of the instalments of loans other than those for soil conservation and land reclamation, by undertaking field visits.

(vii) Carrying out annual inspection of the hypotheca to ensure that the land continues to be owned by the borrower and there is no damage, etc., to it.

(viii) Recovery of loan instalments falling due on 31 December and 30 June every year. The recovery campaigns are undertaken during November-January and May-July.

Work done by the Field Staff

Scrutiny Report of LVO

2.15 (i) The valuation of the security, i.e., agricultural land is done on the basis of the block-wise norms fixed by the Haryana SLDB.

(ii) The repaying capacity is calculated by the LVO in the form prescribed by the Haryana SLDB which had fixed norms for working out the repaying capacity of the applicants.

(iii) The work regarding obtaining 'no overdues' certificates, non-encumbrance certificate, registration of the mortgage deed, certificate of entry of mutation are procedural items of work.

(iv) The verification of utilisation of loan instalments is carried out by field visits. The report is furnished by the LVO in the form prescribed by the Haryana SLDB which contains information such as depth of the bore, type of engine and its cost in respect of tubewell loans. These certificates do not indicate item-wise details of

expenditure incurred by the borrower. The LVO merely certify that the loan has been fully utilised. In the case of tractors, the extent of amount spent can be obtained from the copy of the bill obtained by the bank. The form prescribed for furnishing verification of utilisation report does not provide for eliciting information regarding the optimum use of the investment. Thus, apart from the visit for checking the utilisation of the loan instalment, no other post-disbursement/post-investment checks are made by the LVO to ensure the optimum use of the investment. The LVO do not make visits with any fixed periodicity. The visits are carried out as and when necessary at the time of scrutiny of loan case, checking of utilisation of the loan instalments, annual land inspection and recovery.

(v) The recovery performance of the PLDB as on 30 June 1975 was 100 per cent or very near thereto which speaks of the timely and effective action taken by the LVO.

(vi) It would be seen from the above that no technical assistance is provided at the bank's level. Further, the PLDB also do not provide any extension services to the borrowers. In the loan cases of soil conservation, land levelling and land reclamation where technical knowledge is required for assessing the type and quantum of material, etc., required, the PLDB depend on the technical staff of the soil conservation department of the state government. In these cases, the state government staff renders assistance in identifying the borrowers, preparing estimate of expenses on different items and execution of the work.

Expertise Developed by the PLDB

2.16 Since the work of formulation of schemes in the area of the PLDB was being attended to by the agriculture department of the state government and the Haryana SLDB and the execution of work under the schemes involving technical knowledge was being done by the soil conservation department of the state government, the PLDB did not feel the necessity for any technical staff. Thus the PLDB did not develop any technical expertise. The duties attended to by the field staff, were non-technical in nature and can be attained from training and experience gained.¹

Mutual Credit Support

2.17 The field study revealed that in the area of some societies the number of PLDB loanees borrowing short-term credit from the societies

¹ Shri B. S. Chauhan does not agree with this view.

was very small. Society-wise position in this regard is given below :

TABLE 3

Name of PACS studied	Number of borrowing members of PLDB		Percentage of col. (3) to col. (2)	Number of borrowing members of the PACS who did not avail of PLDB assistance
	Total	Out of col. (2) members who borrowed from the PACS		
1	2	3	4	5
KARNAL DISTRICT				
1. Bapoli	100	23	23	430
2. Jurasi Harijanan	25	4	16	143
3. Rasulpur Kalan	4	4	100	90
4. Nissing	128	73	55	140
5. Garhi Birbal	32	23	72	263
BHIWANI DISTRICT				
1. Bapora	23	6	28	256
2. Baralu	29	21	72	115
3. Noonsar	25	16	64	89
4. Kheri Butter	27	21	92	102
5. Misri	46	37	80	127

2.18 The Table above indicates that the number of the PLDB loanees receiving short-term credit from PACS was very small in 3 out of the 10 PACS. The reason given for this poor support was that some of the cultivators who borrowed from the PLDB were not interested in becoming members of the PACS as they were able to meet their credit requirements from their own resources or by borrowing from other sources; this reason did not appear to be convincing. There appears to be lack of effort to increase the coverage of the PACS.

2.19 Besides, a large number of members of the societies had not availed long-term loans from the PLDB. The field studies revealed that most of them had either installed tubewells with own resources or had availed long-term loans from commercial banks. There were a few members of the societies who did not make any capital investment in minor irrigation on account of uneconomic land holding, availability of irrigation facility from canals, etc.

CHAPTER 3

PROJECTIONS

Anticipated Credit Coverage

3.1 The gross production credit potential in the state is estimated at Rs 23,685.30 lakhs (Statement 5). According to the district-wise break-up furnished therein, the credit gap was Rs 1,711.28 lakhs in Karnal district and Rs 2,003.05 lakhs in Bhiwani district. Assuming that the primaries in Karnal and Bhiwani would achieve 20 per cent and 10 per cent, respectively of the credit gap by the end of the Fifth Plan, the outstandings at the end of June 1979 may, in the aggregate, be around Rs 604 lakhs and Rs 355 lakhs, respectively as against Rs 423 lakhs in Karnal and Rs 237 lakhs in Bhiwani as on 30 June 1975.

3.2 Minor irrigation accounts for the largest single purpose of long-term financing in the state and will continue to be so. The position of major schemes of agricultural development sanctioned by the ARDC and under implementation in the state as on 31 December 1975 is summarised below:

TABLE 4

Rs Lakhs				
Type of scheme	No. of schemes	Total financial assistance	ARDC commitment	Loans disbursed/debentures subscribed by ARDC
Minor Irrigation ..	70	7343	6424	3565
Farm Mechanisation	18	868	897	539
Land Development ..	2	234	194	24
Dairy Development ..	10	458	394	45
		8903	7909	4153

3.3 Besides schemes for farm mechanisation, schemes for lining of water courses and reclamation of saline and alkaline lands and land development involving financial assistance of over Rs 40 crores, are awaiting sanction. Based on the above, the long-term credit requirements and existing gap thereunder in Karnal and Bhiwani districts are given overleaf.

TABLE 5

District	Rs Lakhs	
	LONG-TERM CREDIT	
	Requirement	Gap
Karnal	695.67	277.54
Bhiwani	72.00	72.00

3.4 The expected level of long-term credit by the end of the Fifth Plan may be estimated as under :

TABLE 6

Particulars	Rs Lakhs	
	Karnal	Bhiwani
Existing level of LT loans	550	223
Add: Additional investment credit in ARDC Scheme areas	175	65
Total..	725	288
Less: Anticipated recoveries	200	80
	525	208
Add: LT Loans in non-scheme areas	50	20
Net..	575	228

3.5 Advances, involvement and borrowing requirements of the PACS by the year 1978-9 after integration may be projected as under :

TABLE 7

Particulars	Rs Lakhs	
	Karnal	Bhiwani
1. Short-term advances estimated to be outstanding.. .. .	604	355
2. Estimated long-term loans	575	228
Total..	1179	583
3. Investment from own resources (15 per cent & 10 per cent being their present involvement)	90	36
4. Net borrowings required	1089	547
Out of 4, for short-term	514	319
Out of 4, for long-term	575	228

With the attainment of the above levels of lendings, the average loan outstanding at a PACS is likely to be Rs 5.90 lakhs in Karnal and Rs 2.91 lakhs in Bhiwani district as on 30 June 1979. The study made in respect of a few selected PACS reveals that this level of loan business would ensure the viability of the PACS and strengthen them financially; they would have sufficient income to maintain full-time paid employees, a regular office, etc. In addition, income from non-agricultural credit business, admission fees, etc., would also be available to the PACS.

3.6 Based on the resources requirements of the PACS as estimated above, the projected resources and lending patterns of the integrated district institutions as at the end of June 1979 are given below along with the existing business.¹

TABLE 8

Particulars	Rs Lakhs			
	KARNAL		BHIWANI	
	Existing	Projected	Existing	Projected
Liabilities				
1. Paid-up capital ..	122	157	66	75
2. Reserves ..	40	50	12	14
3. Deposits ..	218	280	102	133
4. Borrowings:				
(a) ST/MT ..	405	583	155	226
(b) LT ..	536	575	220	228
Total ..	1321@	1645	555@	676
Assets				
1. Liquid resources ..	189	200	65	75
2. Investments				
3. Loans :				
(a) ST/MT	348	514	249	319
(b) LT	548	575	223	228
(c) ST to other Societies	332	350	40	50
4. Fixed assets, etc.	5	6	1	4
Total ..	1422	1645	578	676

@All items of liabilities not included: hence totals of liabilities and assets would not tally.

¹Consolidated balance sheets and profit and loss accounts of the CCB and the PLDB in the two districts as on 30 June 1975 are given in Statements 10 to 13.

Both the institutions will have adequate owned funds base and also fair margin of reserve borrowing power to provide for borrowings. As the Karnal and the Bhiwani CCB have 9 and 12 branches, respectively, average loan business per branch would be Rs 160 lakhs in Karnal and Rs 50 lakhs in Bhiwani. Therefore, the integrated institutions as well as each branch will become financially strong.

Working Expenses

3.7 The staffing pattern considered desirable for Head Office and branches of the integrated institutions in the two districts is given in Statement 6. The comparative position of the existing and proposed pattern of staffing at the Head Office and branches and for field work is briefly indicated below :

TABLE 9

	EXISTING*		PROPOSED			
	Karnal	Bhiwani	Karnal		Bhiwani	
			H.O.	Branches	H. O.	Branches
1. Managerial						
(a) Technical	—	—	2	9	1	13
(b) Others ..	13	17	10	9	8	13
2. Field Supervisory						
(a) Extension Officer	—	—	1	9	1	13
(b) Supervisor ..	42	18	42	†	18	†
3. Clerks/Accountant/Cashier	60	63	33	36	24	39

†Head Office figures include staff posted at branches also.

*Combined position of head office and branches.

3.8 A projected income and expenditure position for the two institutions for the years 1974-5 and 1978-9, respectively is given in Table 10.

3.9 Even after providing for additional technical and developmental staff at the Head Office and branches of the district level integrated institutions, their profitability improves. By providing the technical and developmental staff, the operational efficiency of the integrated institutions would improve considerably and their business would also go up.

TABLE 10

Rs Lakhs

Particulars	KARNAL		BHIWANI	
	Present	Projected	Present	Projected
Income				
1. Interest & Dividend on investments ..	127.55	7.20	49.22	2.55
2. Interest on ST agricultural advances at 11.25 percent (calculated on June outstanding taken as average) ..		57.82		35.89
3. Interest on LT advances at 9.5 per cent*		54.62		21.66
4. Interest on ST non-agricultural loans at 15 per cent ..		52.50		7.50
5. Other income (admission fee, valuation fee, etc.) ..		1.39		1.40
	128.94	173.64	50.47	69.00
Expenditure				
1. Interest on deposits ..	85.19	11.60	31.92	6.40
2. Interest on ST agricultural borrowings at 8.75 per cent and non-agricultural 13.5 per cent ..		53.10		19.78
3. Interest on LT borrowing at 8.5 per cent ..		48.87		19.38
4. Establishment cost ..	10.27	11.29	9.79	9.90
5. Establishment cost of additional technical/development staff ..	—	1.68	—	2.00
6. Other expenditure ..	7.68	8.00	3.46	3.75
7. Profit ..	25.80	39.10	5.30	7.79
	128.94	173.64	50.47	69.00

* Assumed a margin of 1 per cent.

CHAPTER 4

INTEGRATION OF CREDIT FUNCTIONS
AT THE PRIMARY LEVEL*General Position of the PACS*

4.1 Five PACS each in Karnal district and Bhiwani district were selected for examining their financial position, working, viability and advantages due to transfer of long-term loan business to them. The position of their owned funds, loan business, potential loan business and projected income is indicated in Table 11.

TABLE 11

Name of Society	Owned funds	Loans issued in 1974-5	Whether working at profit (+) or loss (-) in 1974-5	Exist- ing LT loan business in the area of society	Expected outstand- ings after 3 years (ST & LT loans)	Rs Lakhs		
						Projected Income	Expen- diture	Net profit
1	2	3	4	5	6	7	8	9
Karnal District								
Nissing ..	0.59	6.94	(-)0.03	6.29	8.70 (4.86)	0.16	0.07	0.09
Garhi Birbal	0.63	3.04	(+)0.09*	1.69	7.03 (4.12)	0.14	0.07	0.07
Rasulpur Kalan	0.36	2.33	(-)0.01	0.06	2.61 (1.59)	0.07	0.05	0.02
Bapouli	0.68	3.37	N.A.	3.80	7.27 (4.20)	0.14	0.07	0.07
Jurasi Harijanan	0.23	2.03	N.A.	0.88	3.18 (2.08)	0.07	0.05	0.02
Bhiwani district								
Baralu	0.27	1.26	N.A.	1.49	3.27 (2.60)	0.07	0.05	0.02
Bapora	0.36	1.48	(-)0.01	0.14	3.74 (3.29)	0.09	0.05	0.04
Noonsar ..	0.31	2.00	(+)0.01	1.25	3.67 (2.65)	0.08	0.05	0.03
Kheri Butter ..	0.25	0.81	(+)0.03*	1.41	3.14 (1.40)	0.07	0.05	0.02
Misri ..	0.36	1.02	(+)0.05*	3.88	4.39 (2.09)	0.09	0.05	0.04

Notes: (i) The income on loans has been arrived at on the basis of the margin of interest available to the society; hence expenditure does not include interest paid to the higher financing agency. Further, the income does not include income from non-credit business.

(ii) Figures in brackets indicate ST loans outstanding.

* The emoluments paid by the societies to Secretaries were ranging between Rs 125 and Rs 300 per mensem.

4.2 It would be seen from the table above that the PACS are already viable or potentially viable. The transfer of long-term loan work to them would, therefore, further strengthen their position. Further, it has been observed that all the PACS could afford appointment of full-time paid secretaries and still their working would result in profit. Societies with substantial profit would be able to declare reasonable dividends also.

4.3 The additional staff required for the PACS in the district for taking over long-term credit business and their ability to handle this type of work, are examined in the following paragraphs.

Capacity to Handle the Work

4.4 It would be seen from Chapter 2 of the report that the nature of duties performed by the field and other staff of the PLDB are not of any technical nature.¹ The field staff of the PLDB are matriculates or graduates. Besides, they are given training for 3-4 months in field work. The qualifications of the sub-inspectors and secretaries (barring certain cases) of the societies are also matriculation and graduation in certain cases. As such, so far as the qualifications are concerned, the field staff (sub-inspectors) of the CCB/government are on par with the field staff of the PLDB. The type of work attended to by the field staff of the PLDB could, therefore, be attended to by the field staff of the CCB/Government. A short-duration training in scrutiny of the loan cases, various procedures to be followed, etc., would be necessary to them. However, this problem may not arise immediately if the field staff of the PLDB is posted to the CCB.

4.5 Assuming that the work of scrutiny of loan cases and execution of documents, etc., would be attended to by the field staff of the CCB, the secretaries of the societies would be left with the task of preliminary scrutiny of applications, safe custody of the documents, maintenance of accounts, verification of utilisation of loans, recovery and remittance of the same to the CCB. These duties can be performed by the secretaries of the societies as they are performing similar duties in respect of short-term and medium-term loans. The societies, therefore, can be said to be in a position to handle the work relating to long-term loans.

4.6 At present neither the field staff of the CCB nor the secretaries of the PACS undertake verification of utilization of short-term loans. If this is undertaken by them, they can simultaneously verify the utilisation of long-term loans and this would result in saving in the expenses and manpower.

Overdues Position of the PLDB vis-a-vis the PACS

4.7 As on 30 June 1975 percentage of recovery performance of the Karnal, Panipat, Dadri and Bhiwani PLDB was 100, 100, 99.7 and

¹ Shri B. S. Chauhan does not agree with this view.

97.5, respectively whereas the PACS had recovery performance of 63 per cent and 71 per cent in Karnal and Bhiwani districts, respectively. The overdues of the CCB were as under :

TABLE 12

Central Co-operative Bank		Percentage of overdues to demand as on 30-6-75
Karnal		27
Bhiwani	..	24

4.8 It would be seen that the recovery performance of the PLDB was much better as compared to that of the CCB and the PACS.

4.9 While the recovery performance of the CCB is satisfactory, the PACS would have to ensure improvement in their recovery performance so that the long-term lending programme is not affected. But if the recovery performance of the PACS worsens after integration, it would have adverse effect on their future lending programme and consequently their viability will also be affected. With the present re-organisation of the PACS, the field staff of the bank/department would have about 5 to 6 PACS for supervision as against 15 to 20 PACS at present. It is, therefore, expected that the closer supervision would result in a better recovery performance. In this connexion, it is also suggested that like the commercial banks, the CCB may also be vested with powers to take direct action against the defaulters of the PACS, if the latter fail to take such an action.

Additional Staff

4.10 The number of the PACS that would be retained after the recent re-organisation programme and the number of loan accounts of the PLDB in Karnal and Bhiwani districts are given in the table below :

TABLE 13

District					No. of PACS proposed to be retained	No. of accounts of PLDB as on 30-6-75	Average No. of accounts (LT) per PACS
Karnal					185	10,996	59
Bhiwani					208	5,067	24

Besides the potential long-term loan business, a PACS, on an average, will have to handle 24 to 59 existing long-term loan accounts. After the amalgamation of the PACS which is almost complete in the state, the staffing pattern proposed for them by the Haryana State Co-operative Bank would be followed by the PACS¹. The staffing pattern has been laid down taking into account the future expansion of the business of the societies. If the staff suggested by the SCB for each PACS is adopted, it does not appear difficult for the PACS to handle 60 to 70 long-term loan accounts per unit without appointing any additional staff. There might be very few PACS which would have to handle 150 to 200 long-term loan accounts. While the exact number of additional staff for the PACS would depend upon the number of long-term accounts each PACS is required to handle, roughly it can be said that there might be hardly 10 per cent of the societies in Karnal district which would require an additional clerk each.

Borrowing Power

4.11 The borrowing power of the PACS is not related to their owned funds. The provisions of Co-operative Societies Act empower the general body of the society to fix the borrowing power. The PACS can, therefore, fix the borrowing power as per its requirements. The question of inadequacy of the borrowing power will not, therefore, arise if the long-term loan business is transferred to the PACS. However, for borrowing from the CCB, the PACS have to observe the ratio of 1:20 between share capital contribution and their short-term borrowings.

CHAPTER 5

INTEGRATION OF THE CENTRAL CO-OPERATIVE BANKS AND THE PRIMARY LAND DEVELOPMENT BANKS

General Position of the CCB and PLDB

5.1 Statistical data relating to the financial position and general working of the CCB and the PLDB are given in Statements 2 and 3. In both

¹ Please see Statement 9.

the districts, the CCB have loan business in excess of the viability norm of Rs 2 crores and the transfer of the long-term loan business to them would further strengthen their viability. The position of the owned funds, working capital, number of branches and loan business of the CCB is summarised below:

TABLE 14

Particulars	Rs Lakhs	
	As on 30 June 1975	
	Karnal CCB	Bhiwani CCB
1. Owned funds	115.08	61.72
2. Working capital	846.09	364.05
3. Borrowings	404.27	155.09
4. Deposits	217.23	101.15
5. Loans	682.18	288.95
6. Percentage of (1) to (2)	13.6	17.0
7. Percentage of (4) to (2)	25.6	27.8
8. Percentage of (3) to (2)	47.8	42.6
9. Number of branches	9	12
10. Profit for 1974-5	21.11	5.25
11. Bad and doubtful debts	24.76	29.70
12. Percentage of (11) to (1)	22.0	48.0
13. Average loan business per branch	76.00	25.00

5.2 It would be seen from the table above that the Karnal Central Co-operative Bank is relatively stronger than the Bhiwani Central Co-operative Bank. The latter has been classified as a weak bank and is under rehabilitation. The transfer of the long-term loan business to it would, therefore, strengthen its position. The average loan business per branch would increase to Rs 160 lakhs in Karnal district and Rs 50 lakhs in Bhiwani district. We discuss in the following paragraphs the ability of the integrated banks to handle long-term credit business, its consequences and additional staff requirements necessary for the purpose, etc.

Capacity to Handle the Work

5.3 As already stated in Chapter 4, the field staff of the CCB/government would be able to handle the long-term business. The managerial and other staff of the CCB would also have no difficulty in handling the work of scrutiny of loan cases, sanction of loans, maintenance of accounts and other allied items of work handled at present by the PLDB; at the most they may require a short training. Further, no problem would arise immediately as the managerial staff of the PLDB will be absorbed by the integrated banks.

Borrowing Power of the CCB

5.4 The borrowing power of the CCB is fixed at 12 times its owned funds as per their bye-laws. Taking into account the owned funds of the banks and their present borrowings, the CCB have surplus borrowing power of Rs 758 lakhs (Karnal) and Rs 475 lakhs (Bhiwani) which alone would be sufficient for the integrated banks to take over the borrowings of both the CCB and the PLDB as on 30 June 1975 (Rs 220 lakhs) in Bhiwani district and (Rs 537.56 lakhs) in Karnal district. The borrowing power would further increase consequent upon integration.

Overdues of the CCB

5.5 The overdues position of the CCB and the PLDB has been discussed in Chapter 4. The overdues of the other CCB in the state were also less than 27 per cent (except Hissar, Kurukshetra, and Sirsa CCB). With further improvement expected in the overdues position of the PACS, the overdues of the central co-operative banks would be reduced. Thus, the overdues of the CCB are not likely to affect the long-term lending programme.

Additional Staff Requirements

5.6 The data regarding the number of accounts, amount of loans outstanding and the number of accountants and clerical staff are given below in respect of the selected PLDB :

TABLE 15

Sr. No.	Particulars	Rs Lakhs			
		Karnal	Panipat	Bhiwani	Dadri
(i)	No. of accounts	7533	3463	3499	1568
(ii)	Amount of loans outstanding	374.08	172.48	132.58	90.79
(iii)	No. of accountants	3	3	1	1
(iv)	No. of clerical staff	12	11	8	9
(v)	Average number of accounts per clerical staff member	628	315	437	174

The district level integrated banks would not be required to handle the same number of accounts as the PLDB, as the former would be handling the societies' accounts which would not be more than 925 in Karnal district and 1040 in Bhiwani district (at the rate of 5 accounts for

each PACS). Assuming that a clerk would be able to handle 100 accounts of PACS, the integrated bank in Karnal would require 9 clerks and Bhiwani bank, 10 clerks, for handling the LT loan work as against 23 clerks employed by PLDB in Karnal district and 17 clerks in Bhiwani district. Thus, there would be saving in the establishment charges to the extent of 14 members of clerical staff in Karnal district and 7 members of clerical staff in Bhiwani district. To sum up, the additional clerical staff required by the integrated banks for the long-term loan work would be less than the staff employed by the PLDB. Besides, there need be only one Assistant Manager and one Accountant in the integrated bank for this work in place of two Managers and 2 to 6 Accountants of the PLDB in each district.

5.7 The position regarding the average charge per supervisor (field staff) as at present and after integration is given below¹ :

TABLE 16

Particulars	No. of supervisors	Average charge per supervisor	No. of PACS in the district
<i>Karnal district</i>			
Karnal CCB	45	12	540
Co-operative Department ..	—	4	185*
<i>Bhiwani district</i>			
Bhiwani CCB	7	17	467
Co-operative Department ..	20	8	208*

* Proposed number of PACS to be retained.

5.8 Although 12 to 17 PACS are at present under the charge of one supervisor, as stated earlier, after the re-organisation of the PACS, the average number of PACS per supervisor works out to 4 to 8. Therefore, it should not be difficult for the supervisors to attend to the long-term loan cases also in addition to short-term and medium-term loan cases. In Bhiwani district, since the average number of PACS per supervisor works out to 8 PACS, additional field staff is needed. On a conservative basis, it can be estimated that the requirement for additional field staff, i.e., supervisors, would be roughly 8 (on the basis of an average charge of 6 PACS).

¹ At present, in both the districts, supervision over societies is partly with the banks and partly with the co-operation department.

*Combined Balance Sheet and
Profit and Loss Accounts*

5.9 With a view to assessing the economies that are likely to arise from the integration and the financial position of the resultant institution, the balance sheets and profit and loss accounts as on 30 June 1975 of the PLDB and the CCB have been combined and furnished in Statements 10 to 13. Columns 2 to 4 of the combined profit and loss account indicate the figures of the PLDB and CCB separately. In column (5) the combined position (total of columns (2) to (4), of the integrated banks has been furnished. It would be seen from Table 17 given below that there is a reduction in the amount of expenditure to the extent of Rs 3.98 lakhs in Karnal district and Rs 1.22 lakhs in Bhiwani district after integration. The reduction has been possible due to the reduction in the staff as discussed in the earlier paragraphs and savings in expenses on Board of Directors, jeep, etc., as indicated below :

TABLE 17

	Rs Lakhs			
	Karnal district		Bhiwani district	
	No. of staff	Amount	No. of staff	Amount
(a) <i>Reduction in staff</i>				
Clerical staff	14	0.67	7	0.34
Accountant ..	5	0.33	1	0.07
Manager	1	0.09	1	0.09
Field Staff ..	23	1.31	3	0.17
(b) Economy in the expenditure on Board of Directors of PLDB		0.06*		0.10
(c) Reduction in expenses on conveyance		0.64		0.37
(d) Interest on idle funds of PLDB ..		0.88		0.08
		<u>3.98</u>		<u>1.22</u>

* The amount for Karnal PLDB is assumed at Rs 4000 as it did not furnish the information.

Better Management of Funds

5.10 On an average, the Karnal, Panipat and Bhiwani PLDB had idle funds of Rs 5.87 lakhs, Rs 3.35 lakhs and Rs 0.85 lakhs, respectively.

The loss of interest on these idle funds has been indicated above. Besides, on many occasions, due to the tight financial position, the PLDB have to stop further loaning till the funds are available from the Haryana SLDB, whereas the surplus with the CCB remains idle. Therefore, it is expected that integration would bring about better management of funds.

Problems Arising out of Integration

(a) Problems Relating to Staff

5.11 The problems of the staff regarding their seniority, pay fixation, confirmation, etc., likely to arise after integration would have to be sorted out and solved. The state government may have to appoint a high level committee for the purpose.

(b) Re-organisation Programme of the PACS

5.12 As already indicated the re-organisation of the PACS is recently completed in the state. The working of the PACS is yet to be stabilized. Some members of the Group, therefore, feel that integration may be taken up after two or three years, i.e., after re-organised PACS get stabilized.

(c) Legal Problems

5.13 The bye-laws of the PACS and the CCB do not prohibit them from granting long-term loans. Further, the model bye-laws of the PACS which are under revision consequent on their re-organisation, would specifically provide for enabling them to grant long-term loans. There is also no restrictive provision in the State Co-operative Societies Act.

5.14 However, for integration at the primary and district levels, it would be necessary to suitably amend the 'Punjab Co-operative Land Mortgage Bank Act' the various provisions of which are applicable to the PLDB in Haryana. Certain provisions of the Act, more particularly regarding the following which are at present applicable to the PLDB, would have to be made applicable to the PACS.

Section of Act

Provisions regarding

Section 22	—	Appointment of receiver for the produce and income of the mortgaged property.
Section 26	—	Directing the mortgagee to take action against a defaulter under Section 12 or Section 15 of the Act.

*Section of Act**Provisions regarding*

- Section 29 — For granting priority of mortgage over claims arising under the Land Improvement Loans Act, 1883.
- Section 30 — In case of loans for payment of prior debts, requiring the person to whom any such debt is due, to receive payment of such debt from the society.
- Section 32 — Absolving the employees of the societies from appearing in person at the registration office.
- Section 33 — (a) Powers to receive money and grant valid discharges notwithstanding assignment of mortgage deeds to the higher financing agency.
(b) Powers to sue the mortgagor in the absence of any specific direction to the contrary issued by the Trustee or higher financing agency.
- Section 37 — Prohibiting the employees of the society from bidding/acquiring interest at the sale of movable/immovable property held under the provisions of the Act.
- Section 40 — Empowering the CCB to have general power of supervision over the societies and for making regulations not inconsistent with the Co-operative Societies Act and State Land Development Bank Act.

5.15 Besides, the legal aspects of integration regarding transfer of membership of PLDB and their assets and liabilities would have to be examined in detail after a decision is taken for integration.

I. H. Trivedi

S. Sunderarajan

H. L. Sondh

R. N. Bhan

J. S. Chauhan

B. S. Chauhan

S. G. V. Ramanan

Chandigarh

20 April 1976

STATEMENT I

GENERAL PARTICULARS OF THE SELECTED DISTRICTS IN HARYANA

Items	Karnal district	Bhiwani district	
1	2	3	
1. Area in square kilometres	3,691.3	5,088.42	
2. Total population (in lakhs)	9.88	7.62	
3. Of which, rural (in lakhs)	7.85	6.42	
4. No. of talukas/tehsils	2	4	
5. No. of NES Blocks	8	7	
6. No. of centres with population exceeding 10,000	5	3	
7. No. of villages	592	474	
8. Area under cultivation (ha) ..	295,000	464,368	
9. Of which, area irrigated (ha) ..	217,000	91,300	
10. Area under different crops (ha)			
(a) Paddy	85,000	68	
(b) Wheat	173,000	23,157	
(c) Millets	—	258,691	
(d) Cotton	3,000	8,993	
(e) Groundnut, etc.	—	119	
	No. Area	No.	Area (acres)
11. <i>Size-wise distribution of holdings</i>			
(a) 2 acres and less	NA	55,632	78,630
(b) More than 2 acres but less than 5 acres ..	NA	46,234	205,670
(c) More than 5 acres but less than 7.5 acres } ..	NA	33,468	296,880
(d) More than 7.5 acres but less than 10 acres }			
(e) More than 10 acres	NA	31,789	676,250
12. No. of branches of commercial banks ..	55	19	
13. Deposits with commercial banks (Rs lakhs) ..	2,108.87	546.24	
14. Advances made by commercial banks for agriculture (Rs lakhs)	342.39	72.98	
(a) Of which, through co-operatives	89.69	43.89	
(b) Others	252.70	29.09	

STATEMENT 2

FINANCIAL PARTICULARS OF THE SELECTED CENTRAL CO-OPERATIVE BANKS
AS ON 30 JUNE 1975

Items	Rs Lakhs	
	Karnal district	Bhiwa ni district
1	2	3
1. Paid-up share capital	77.09	50.00
2. Statutory reserve ..	11.60	3.35
3. Other reserves and funds ..	26.39	8.36
4. Deposits	.. 217.23	101.15
5. Borrowings ..	.. 404.27	155.09
6. Cash on hand	37.16	9.71
7. Balances in current account with banks ..	30.43	0.94
8. Call and fixed deposits	36.00	13.74
9. Investments in government and trustee securities	24.13	13.50
10. Other investments ..	16.34	10.32
11. Loans and advances		
(a) Short-term agricultural	339.61	96.67
(b) Medium-term agricultural	.. 9.20	32.82
(c) Medium-term conversion	.. —	118.11
(d) Loans to other societies	.. 327.59	38.94
(e) Loans to individuals ..	.. 5.78	2.41
(f) Total loans	.. 682.18	288.95
12. Buildings and other fixed assets ..	0.69	3.39
13. Accumulated profit (+) or loss (—)	.. +21.11	+5.25
14. Dividend declared for the previous year	—	—
15. Number of branches	9	12
16. Particulars of staff		
(a) Manager/Secretary	1	1
(b) Assistant Managers/Branch Managers/Agents	1	1
(c) Accountants and other clerical staff	39	57
(d) Class IV staff	.. 36	38
(e) Supervisors/field inspectors	.. 19	7
(f) Average charge per supervisor	8 to 12	15 to 20

STATEMENT 3

FINANCIAL PARTICULARS OF SELECTED PRIMARY LAND DEVELOPMENT BANKS
AS ON 30 JUNE 1975

Items	Rs Lakhs	
	Karnal district	Bhiwani district
1	2	3
1. No. of PLDB	2	2
2. No. of branches of PLDB	—	—
3. Paid-up share capital	47.09	16.49
4. Statutory reserve	0.80	0.61
5. Other reserve funds	0.99	0.13
6. Deposits	0.79	0.64
7. Borrowings from the SLDB	536.78	216.46
8. Particulars of loans and advances		
(a) No. of indebted members	10,996	5,067
(b) Amount	545.60@	223.37
(c) Purposes		
(i) Minor irrigation (wells, pumpsets)	299.08	174.48
(ii) Land levelling, bunding, fencing, etc. . .	50.52	3.15
(iii) Orchards and plantations	—	12.10
(iv) Tractors/power tillers	166.75	27.00
(v) Other productive purposes	—	5.00
(vi) Non-productive purposes	30.18	1.64
9. No. working at profit	2	1
10. Amount of profits for 1974-5	4.69	0.43
11. No. working at loss	—	1
12. Amount of loss for 1974-5	—	0.38
13. No. working at no-profit no-loss	—	—
14. Dividend declared for 1974-5	—	—
(a) No. of societies	—	—
(b) Amount	—	—
15. Particulars of staff		
(a) Managers/Secretaries	2	2
(b) Assistant Managers/Branch Managers/Agents	—	—
(c) Accountants and office clerical staff	31	19
(d) Technical staff	—	—
(e) Class IV staff	11	10
(f) Field officers/Supervisors	23	11

@Excluding staff loans.

STATEMENT 4

FINANCIAL PARTICULARS OF PRIMARY AGRICULTURAL CREDIT SOCIETIES IN THE
DISTRICTS AS ON 30 JUNE 1975

Items	Rs Lakhs	
	Karnal district	Bhiwani district
1	2	3
1. Number	.. 540	467
2. Of which, state partnered	.. 175	165
3. Of which, having full-time paid Secretaries ..	.. 69	N.A.
4. Total membership ..	73,458	62,939
5. Villages covered ..	.. 517	471
6. Total paid-up capital	88.76	49.24
7. Of which, government share capital ..	13.92	12.50
8. Statutory reserve	0.51	0.97
9. Other reserves and funds ..	18.83	1.40
10. Deposits	5.70	4.28
11. Borrowings from the central bank ..	.. 354.19	217.29
12. Other borrowings ..	79.76	15.69
13. Investments	62.19	27.90
14. Loans and advances		
(a) Short-term agricultural ..	.. 405.54	133.74
(b) Medium-term agricultural ..	} 17.49	103.22
(c) Medium-term conversion ..		
(d) Others	.. —	—
(e) Total	.. 423.03	236.96
15. Loans overdue	.. 226.36	41.80
16. No. working at profit	.. 323	250
17. Amount of profit	.. 9.32	2.59
18. No. working at loss	.. 161	197
19. Amount of loss	6.25	5.07
20. No. of societies working on no-profit no-loss ..	56	20
21. No. of societies declaring dividend for 1974-5	3	2
22. Classification of societies according to outstanding loans ..		
(a) No. with outstanding below Rs 50,000/-	253	} N.A.
(b) No. with outstanding between Rs 50,001 and Rs 1,00,000 ..	169	
(c) No. with outstanding between Rs 1,00,001 and Rs 1,50,000 ..	94	
(d) No. with outstanding between Rs 1,50,001 and Rs 2,00,000 ..	19	
(e) No. with outstanding between Rs 2,00,001 and Rs 5,00,000 ..	5	
(f) No. with outstanding above Rs 5,00,001	—	

STATEMENT 5

CREDIT POTENTIAL FOR SHORT-TERM LOANS

Area in thousand ha and Rs Lakhs					
District	Total net sown area	Irrigated area	Un- irrigated area	Credit potential — Rs 250 per acre for irri- gated area and Rs 125 per acre for unirrigated area	Credit gap
1	2	3	4	5	6
Hissar	898	782	433	6240.62	5013.76
Bhiwani ..	441	122	503	2237.42	2003.05
Gurgaon ..	361	169	332	1707.27	114.38
Mahendragarh	240	64	321	1403.12	913.42
Ambala ..	243	106	258	1468.75	730.43
Karnal	291	324	100	2337.50	1711.28
Kurukshetra	321	371	137	2746.87	1848.45
Rohtak	327	202	260	2075.00	—
Sonepat	156	129	88	1081.25	847.27
Jind ..	288	315	131	2387.50	2228.27
				23,685.30	15,410.31

STATEMENT 6

STAFFING PATTERN FOR INTEGRATED DISTRICT LEVEL BANKS

Sr. No.	Category	Strength	
		Karnal	Bhiwani
A. Head Office			
1.	Manager/Secretary	1	1
2.	Deputy Manager/Assistant Secretary	2	1
3.	Chief Accountant	1	1
4.	Executive Officer	3	2
5.	Development Officer	1	1
6.	Technical Manager ..	2	1
7.	Law Officer	1	1
8.	Statistical Officer	1	1
9.	Office Manager ..	1	1
10.	Clerk/Accountant/Cashier	33	24
11.	Stenographer ..	1	1
12.	Typist ..	4	2
13.	Driver ..	2	2
14.	Peon	} 25	20
15.	Watchman		
B. Branches (for each branch)			
1.	Branch Manager	1	1
2.	Technical Officer	1	1
3.	Extension Officer	1	1
4.	Clerk/Accountant	3	2
5.	Cashier	1	1
6.	Typist ..	1	1
7.	Peon and Watchman ..	2	2
C. Field Staff			
	Supervisor	42*	18*

* Existing strength is considered adequate keeping in view the number of supervisors of the co-operative department in the district.

STATEMENT 7

PURPOSE-WISE LOANS OUTSTANDING AT THE PLDB LEVEL IN KARNAL DISTRICT
AS ON 30 JUNE 1975

Purpose	Rs Lakhs					
	Karnal PLDB		Panipat PLDB		Total	
	No. of Accounts	Amount	No. of Accounts	Amount	No. of Accounts	Amount
Tubewells ..	4048*	194.33	2859	103.58	6907	297.91
Tractors ..	3186	139.84	132	26.91	3318	166.75
Land reclamation ..	284	37.91	105	12.62	389	50.75
Soil conservation	15	1.04	2	0.13	17	1.17
Redemption of land, purchase of land, cattle shed, levelling of land, etc.	—	—	365	29.24	365	29.24
Loans to staff ..	—	0.96	—	—	—	0.96
Total ..	7533	374.08	3463	172.48	10996	546.56

* Includes loans for tubewells and other purposes also under general loaning. The PLDB could not furnish purpose-wise break-up.

STATEMENT 8

PURPOSE-WISE LOANS OUTSTANDING AT THE PLDB LEVEL IN BHIWANI DISTRICT
AS ON 30 JUNE 1975

Purpose	Rs Lakh			
	Dadri PLDB		Bhiwani PLDB	
	No. of Accounts	Amount	No. of Accounts	Amount
Sinking of wells	694	38.00	N.A.	112.48
Pumping sets	486	21.00		
Water channels	68	2.30		
Tractors ..	120	20.50	N.A.	8.03
Land levelling	58	1.30		
Camel Carts ..	40	1.01		
Sprinkler sets ..	20	3.28		
Redemption of land	12	0.74		
Purchase of land	2	0.07		
Jhalleries ..	9	0.12		
Others ..	59	2.47	N.A.	12.10
Total	1568	90.79		223.37

* Full details not available.

STATEMENT 9

STAFFING PATTERN FOR PRIMARY AGRICULTURAL CREDIT SOCIETIES*

1. At present, there are three broad categories of the primary societies in the state. The first category comprises of societies, which are providing only loans to their members. The second category would cover societies, which besides loans business also sell agricultural inputs particularly fertilizers. The third category is of such societies as are selling consumers' goods especially the controlled goods, in addition to undertaking the two activities mentioned above.

2. From the point of view of total volume of business done by these societies, these could further be divided into more than one category. Whereas all the societies are expected to undertake the above mentioned three activities, as also some other activities like collection and marketing of milk and milk products and would naturally increase the present volume of business, it is necessary that a staffing pattern is worked out to meet the present and future requirements. Calculated on the basis of the present estimated income of the various categories of societies, the following staffing pattern is hereby laid down for guidance:

Sr. No.	Business turnover	Establishment	
1.	Loans upto Rs 1.00 lakh without other business	.. Manager	1
2.	(i) Loan business Rs 1.00 lakh	 Manager	1
	(ii) Fertilisers 50 tonnes	 Salesman	1
	(iii) Consumer goods 192 bags sugar, controlled cloth worth Rs 12000/- and other business Rs 5000/-	.. ..	
3.	(i) Loan business Rs 1.50 lakhs	.. Manager	1
	(ii) Fertilisers 80 tons	.. Salesman	1
	(iii) Consumer goods	..	
4.	(i) Loan business Rs 2.00 lakhs	.. Manager	1
	(ii) Fertilisers 100 tons	.. Salesman	1
	(iii) Consumer goods	.. Chowkidar	1
5.	(i) Loan business upto Rs 3.00 lakhs	.. Manager	1
	(ii) Fertilisers 150 tons	.. Salesman	1
	(iii) Consumer goods	.. Chowkidar	1
6.	(i) Loan business Rs 4.00 lakhs	.. Manager	1
	(ii) Fertilisers 200 tons	.. Clerk	1
	(iii) Consumer goods	Salesman	1
		.. Recovery Supervisor } Chowkidar	1
7.	(i) Loan business Rs 5.00 lakhs	 Manager	1
	(ii) Fertilisers 200 tons	 Clerk	1
	(iii) Consumer goods	 Recovery Supervisor } Salesman	1
		Chowkidar	1
		Peon	1

* The norms given here for Staffing Pattern are laid down by the Haryana State Co-operative Bank for adoption by the PACS. (Reproduced from a circular issued by the bank).

3. While calculating this staffing pattern, the expansion in business in the near future has been taken into account, but it may be possible that the categories herein indicated may not cover all situations. In such cases, the societies may make modifications in the staffing pattern on their own but in no case, the cost of staff should exceed 25 percent of the gross income in any particular year.

Appointment of Staff

4. The Manager, who would be the Chief Executive Officer of the society, would be appointed by the integrated district level bank out of common cadre. The other staff, i.e., salesman, clerk, supervisor, chowkidar and peon may be appointed by the PACS. It would be ensured that persons of high integrity and character are appointed by the PACS. The PACS may allow consolidated pay of Rs 250/- per mensem to the clerk/ supervisor and salesman and Rs 150/- per mensem to chowkidar/peon.

Qualifications of the Staff

5. The minimum academic qualifications for the post of clerk, recovery supervisor and salesman would be matriculation and for peon and chowkidar, may be 'under middle.' They would receive some training as may be prescribed by the Registrar from time to time.

Security

6. Each salesman, recovery supervisor and the clerk should furnish a cash security of Rs 2,000/- or in lieu of it tangible security of Rs 5,000/-. The surety bond should be kept by the society in its safe custody.

STATE

CONSOLIDATED BALANCE SHEET OF CCB KARNAL AND KARNAL AND PANIPAT PLDB
AS ON

LIABILITIES	PLDB Panipat	PLDB Karnal	CCB Karnal	Total
1	2	3	4	5
1. Share capital				
Individual	13.95	32.38	0.19	46.52
Societies	(Rs 100)	—	67.48	67.48
Government	0.25	0.50	9.42	10.17
2. Reserve Fund & other Reserves				
Statutory Reserve Fund	0.25	0.55	11.60	12.40
Agricultural Credit Stabilization Fund ..	—	—	6.33	6.33
Building Fund	0.02	—	2.41	2.43
Dividend Equalisation Fund	—	—	0.13	0.13
Special Bad Debt Reserve	—	—	0.13	0.13
Bad & Doubtful Debts Reserve	0.01	0.03	15.56	15.60
Investment Depreciation Fund	—	—	0.25	0.25
Common Good Fund	—	—	0.01	0.01
Propaganda Fund	—	—	—	—
Share Transfer Fund	0.01	—	0.29	0.30
Depreciation Fund	0.29	0.62	1.26	2.17
Education Fund	0.02	(Rs 145)	0.02	0.04
3. Deposits				
Fixed	0.15	0.64	59.46	60.25
Savings	—	—	93.61	93.61
Current	—	—	9.44	9.44
Others—Societies	—	—	54.62	54.62
4. Money at Call and Short Notice	—	—	0.10	0.10
5. Borrowings				
From RBI/SCB/HSLDB				
Short-term	—	—	400.35	400.35
Medium-term	—	—	3.00	3.00
Long-term	172.57	364.21	—	536.78
From Government	—	—	0.92	0.92
6. Bills for collection being bills receivable as per contra	—	—	5.43	5.43
7. Overdue Interest Reserve	—	—	13.39	13.39
8. Interest Payable				
On loans	6.77	11.27	12.99	31.03
On deposits	(Rs 91)	0.02	5.26	5.28
9. Other liabilities	0.61	2.28	30.99	33.88
10. Profit				
Previous Year	3.14	9.83	25.77	38.74
Profit for 1975	0.91	3.78	21.11	25.80
Total	198.95	426.11	851.52	1476.58

MENT 10

30 JUNE 1975

Rs Lakhs

ASSETS	PLDB Panipat	PLDB Karnal	CCB Karnal	Total
6	7	8	9	10
1. Cash in hand and balances with SCB	1.18	5.56	67.13	73.87
2. Balances with other banks	7.91	6.98	36.58	51.47
3. Money at call and short notice ..	—	—	—	—
4. Investments	8.32	15.05	40.35	63.71
5. Advances				
Short-term	0.07	0.14	671.06	671.27
Medium-term	—	—	9.41	9.41
Long-term	172.48	374.08	1.71	548.27
6. Interest receivable	8.36	17.00	14.03	39.39
7. Bills receivable being bills for collection as per contra	—	—	5.43	5.43
8. Premises ..	—	3.97	0.65	4.62
9. Dead stock	0.58	1.33	2.00	3.91
10. Other assets	0.05	2.00	3.12	5.17
11. Non-banking assets	—	—	0.06	0.06
Total..	198.95	426.11	851.52	1476.58

STATE

CONSOLIDATED PROFIT AND LOSS ACCOUNT OF THE KARNAL CCB

EXPENDITURE	Karnal CCB	Karnal PLDB	Panipat PLDB	Total
1	2	3	4	5
1. Interest on deposits and borrowings, etc.	48.31	24.43	12.43	85.19
2. Salaries and allowances, etc. . .	5.91	2.23	2.13	10.27
3. Rent, Rates, Insurance, etc.	0.31	0.04	0.04	0.39
4. Law charges	0.02	—	0.01	0.03
5. Postage, etc.	0.11	0.07	0.03	0.21
6. Audit fees	0.35	—	—	0.35
7. Depreciation . .	0.28	0.26	0.09	0.63
8. Stationery, Printing, etc.	0.52	0.24	0.11	0.87
9. Directors' fees and allowances . .	0.08	—	0.02	5.20
10. Other expenditure	2.64	2.00	0.46	
11. Profit	21.11	3.78	0.91	25.80
Total.	79.64	33.07	16.23	128.94

MENT 11

AND KARNAL AND PANIPAT PLDB FOR THE YEAR 1974-5

Rs Lakhs				
INCOME	Karnal CCB	Karnal PLDB	Panipat PLDB	Total
6	7	8	9	10
Interest, Discount and Dividend	79.36	32.26	15.93	127.55
Commission, Exchange, etc. . .	0.28	—	—	0.28
Other income . .	.. (Rs 92)	0.81	0.30	1.11
Total . .	79.64	33.07	16.23	128.94

STATE

CONSOLIDATED BALANCE SHEET OF BHIWANI CCB AND
AS ON

LIABILITIES		PLDB Dadri	PLDB Bhiwani	CCB Bhiwani	Total
1		2	3	4	5
1.	Share capital				
	Individuals	6.30	9.81	—	16.11
	Societies	—	—	32.01	32.01
	Government	N.A.	0.38	17.99	18.37
2.	Reserve Fund and Other Reserves				
	Statutory Reserve Fund	0.13	0.17	3.36	3.66
	Agricultural Credit Stabilization Fund..	—	0.08	1.33	1.41
			(risk fund)		
	Building Fund	—	—	1.22	1.22
	Dividend Equalisation Fund ..	—	—	0.12	0.12
	Special Bad Debt Reserve ..	—	—	0.14	0.14
	Bad & Doubtful Debts Reserve	—	—	3.14	3.14
	Investment Depreciation Fund	—	—	0.64	0.64
	Common Good Fund	—	—	0.05	0.05
	Propaganda Fund	—	—	0.02	0.02
	Share Transfer Fund	—	—	0.10	0.10
	Depreciation Fund	0.13	0.23	1.33	1.69
	Education Fund	—	—	0.02	0.02
	Employees Gratuity Fund ..	—	—	0.24	0.24
3.	Deposits				
	Fixed	0.40	0.24	22.43	23.07
	Savings	—	—	64.32	64.32
	Current	—	—	14.23	14.23
	Others-Societies	—	—	—	—
4.	Money at call and short notice	—	—	0.16	0.16
5.	Borrowings				
	From RBI/SCB/HSLDB (Short-term/ Long-term)	89.12 (LT)	131.34 (LT)	31.98	252.44
	—do— (Medium-term)	—	—	123.11	123.11
	From Government	—	—	—	—
6.	Bills for collection being bills receivable as per contra	—	—	—	—
7.	Overdue Interest Reserve	—	—	—	—
8.	Interest payable				
	On Loans	3.14	4.28	6.13	13.55
	On Deposits	—	—	19.48	19.48
9.	Other Liabilities	2.90	2.02	8.19	13.11
10.	Profit				
	Previous year	0.78	0.23	7.06	8.07
	Profit for 1975	—	0.43	5.25	5.68
	Total..	102.90	149.21	364.05	616.16

MENT 12

DADRI AND BHIWANI PLDB

30 JUNE 1975

Rs. Lakhs

ASSETS	PLDB Dadri	PLDB Bhiwani	CCB Bhiwani	Total
6	7	8	9	10
1. Cash in hand ..	0.40	1.86	9.71	11.97
2. Balance with other banks	2.20	2.22	14.44	18.86
3. Money at call and short notice ..	—	—	—	—
4. Investments	4.00	5.29	24.06	33.35
5. Advances				
Short-term	0.07	0.11	136.84	137.02
Medium-term	—	—	152.11	152.11
Long-term	90.79	132.58	—	223.37
6. Interest receivable ..	4.62	6.17	16.45	27.24
7. Bills receivable being bills for collection as per contra	—	—	—	—
8. Premises ..	—	—	0.56	0.56
9. Dead Stock	0.43	0.25	1.54	2.22
10. Other assets	0.01	0.73	8.34	9.08
11. Non-Banking Assets	—	—	—	—
12. Loss for the year	0.38	—	—	0.38
Total ..	102.90	149.21	364.05	616.16

STATE

CONSOLIDATED PROFIT AND LOSS ACCOUNT OF THE BHIWANI

EXPENDITURE	Bhiwani CGB	Bhiwani PLDB	Dadri PLDB	Total
1	2	3	4	5
1. Interest on deposits, borrowings, etc. ..	17.78	8.25	5.89	31.92
2. Salaries, allowances, etc.	6.55	1.75	1.51	9.79
3. T.A. and D.A. to Directors	0.03	0.05	0.05	0.13
4. Rent, Rates, Insurance, etc.	0.29	0.08	0.04	0.41
5. Postage, Telegrams and Telephones ..	0.09	0.05	0.02	0.16
6. Stationery, Printing, etc. ..	0.40	0.11	0.07	0.58
7. Petrol charges, etc.	0.59	0.22	0.15	0.96
8. Other expenses ..	0.84	0.22	0.16	1.22
9. Profit	5.25	0.43	—	5.68
Total..	31.82	11.14	7.89	50.47

MENT 13

CCB AND BHIWANI AND DADRI PLDB FOR THE YEAR 1974-5

Rs Lakhs				
INCOME	Bhiwani CCB	Bhiwani PLDB	Dadri PLDB	Total
6	7	8	9	10
Interest and discount	31.67	10.47	7.08	49.22
Commission, etc.	0.09	—	—	0.09
Other income	0.06	0.67	0.43	1.16
Loss for the year	—	—	0.38	—
Total..	31.82	11.14	7.89	50.47

REPORT OF THE STUDY GROUP
UTTAR PRADESH

CHAPTER 1

INTRODUCTION

1.1 The Study Group consisted of the following members :

1. Shri J. Barboza Director Agricultural Refinance and Development Corporation Lucknow	Convener
2. Shri M. Ranjan ¹ Additional Registrar of Co-operative Societies Uttar Pradesh Lucknow	Member
3. Shri J. P. Awasthi Deputy Chief Officer Agricultural Credit Department Reserve Bank of India Lucknow	Member
4. Shri M. V. Bijapurkar ² Deputy Chief Officer Department of Banking Operations and Development Reserve Bank of India Kanpur	Member
5. Shri O. P. Sharma Secretary Uttar Pradesh State Co-operative Bank Ltd. Lucknow	Member
6. Shri D. S. Verma ³ Secretary Uttar Pradesh Rajya Sahakari Bhoomi Vikas Bank Ltd. Lucknow	Member

¹ Consequent upon transfer of Shri M. Ranjan, Shri R. B. Lal was appointed as Member of the Study Group.

² Consequent upon transfer of Shri M. V. Bijapurkar, Shri R. C. Raizada was appointed as Member of the Study Group.

³ Shri Shyamji Srivastava took over as Secretary, Uttar Pradesh Rajya Sahakari Bhoomi Vikas Bank Ltd., in January 1976 and consequently became Member of the Study Group.

7. Shri S. G. V. Ramanan Co-ordinating-
Member
Member-Secretary of the
Committee and Director
Agricultural Refinance and
Development Corporation
Bombay

1.2 In view of the vastness of the state and the uneven development in respect of agriculture and co-operative credit that is so apparent in the three broad natural zones, viz., western, central and eastern zones of the state, the Group selected for detailed study one district in each of the three zones. The Group also felt that the districts selected should broadly represent the state of development in that zone; therefore, it decided that the most developed district in the western zone, the least developed district in the eastern zone and the district which is midway in the central zone might be selected for studies; keeping these factors in view and the guidelines issued by the Committee, the Group selected the districts of Muzaffarnagar, Sitapur and Ghazipur for study in the western, central and eastern zones, respectively.

1.3 The information necessary for our study was collected by the officers of the ACD and the ARDC. The Group is thankful to Sarvashri D. N. Kapur, S. K. Srivastava, R. S. Awasthi, S. P. Johri, H. C. Srivastava and Y. L. Sapra, officers of the ACD and the ARDC for collecting the information and preparing the district notes. The Group is also thankful to Shri S. G. V. Ramanan, Member-Secretary of the Committee for the guidance given by him. The other members of the Group thank Sarvashri M. Ranjan, D. S. Verma and O. P. Sharma for the instructions issued by them to their field staff to assist the investigating officers in the collection of the information.

1.4 The Group met 3 times, i.e., on 13 and 23 December 1975 and 26 May 1976. At the third meeting on 26 May 1976, the Group considered the draft report and finalised it. Sarvashri O. P. Sharma and R. B. Lal did not agree with the other members on certain points and have given separate notes of dissent which are appended to the Report as Annexures 1 and 2.

CHAPTER 2

FINDINGS OF THE FIELD STUDY

Basic Features of the Selected Districts*Agricultural*

2.1 The basic features of the three selected districts, e.g., area, total population, area under cultivation, distribution of holdings, etc., are furnished in Statement 1. It will be seen therefrom that while Sitapur is the largest district in terms of area, Ghazipur district is the most densely populated followed by Muzaffarnagar and Sitapur. The number of villages is the highest in Ghazipur (3,319) followed by Sitapur (2,361) and Muzaffarnagar (1,087). In terms of agricultural development, the position is just the reverse, i.e., Muzaffarnagar district is highly developed while Ghazipur is the least developed. The percentage of net area under cultivation and irrigation to total area of the district in these three districts was as follows :

TABLE 1

	Ghazipur	Sitapur	Muzaffarnagar
1. Percentage of net area under cultivation to total area	79.6	73.5	76.7
2. Percentage of area irrigated to net cultivated area	38.9	23.5	78.5

2.2 So far as the crops grown in the three districts were concerned, the pattern was found to be generally the same (i.e., paddy and wheat), the exception being the predominance of commercial crops like sugarcane in Muzaffarnagar district.

2.3 As will be seen from the details given in Statement 1, holdings below 5 acres were the highest in Sitapur district, followed by Ghazipur district and Muzaffarnagar district. The position in this regard is summarised in Table 2.

2.4 The data in Table 2 substantiate the fact of the predominance of small cultivators in all the three districts selected for study; this has been recognised at the national level, as 6 blocks out of 16 in Ghazipur district and 4 blocks out of 19 in Sitapur district are presently covered by the SFDA.

TABLE 2

District	Total Number of holdings	Holdings below 5 acres	Percentage of 3 to 2
1	2	3	4
1. Ghazipur	2.64	2.29	86.7
2. Sitapur ..	3.98	3.34	83.9
3. Muzaffarnagar	1.86	1.36	73.1

2.5 The network of commercial banks branches as on 30 September 1975 was the highest in Muzaffarnagar district (62) followed by the other two districts (with 24 branches each). These banks had advanced for agricultural purposes Rs 2.14 crores in Muzaffarnagar district, Rs 0.88 crore in Ghazipur district and Rs 0.54 crore in Sitapur district as on that date.

Co-operative Credit Structure

Short-term Wing

2.6 The state is served by one SCB with 14 branches. Its paid-up capital and reserves as on 30 June 1975 amounted to Rs 605.44 lakhs and Rs 182.47 lakhs, respectively; its percentage of overdues to demand was 6.3.

2.7 At the intermediary level, as on 30 June 1975 the state had 56 CCB with 655 branches. These banks had advanced (outstanding) a sum of Rs 124.75 crores with a recovery percentage of 51 for the year 1974-5.

2.8 At the primary level, the state had about 23,000 PACS as on 30 June 1974. The loans outstanding of these societies aggregated Rs 117.47 crores with a recovery performance of 49.8 per cent of demand as on that date.

2.9 In the three districts selected, the study was confined to the co-operative credit structure at the intermediary and primary levels only. Certain basic data as on 30 June 1975 relating to the CCB and the PACS in these three districts are furnished in Statements 2 and 3, respectively. All the three CCB were working at profit during the year 1974-5. The loss balance shown for Ghazipur CCB is the accumulated loss balance for the previous years. Loan business was the highest in

Muzaffarnagar district (Rs 522.86 lakhs) followed by Ghazipur district (Rs 196.80 lakhs) and Sitapur district (Rs 168.82 lakhs). The branch network was the largest in Muzaffarnagar district as it had 19 branches while Sitapur and Ghazipur districts had 12 and 11 branches, respectively. The deposits were highest in Muzaffarnagar (Rs 509 lakhs) followed by Sitapur (Rs 142 lakhs) and Ghazipur (Rs 111 lakhs).

2.10 As regards the PACS, their overall position as judged from the growth of owned funds, working capital, loan business and recovery of loans was least satisfactory in Ghazipur district; it was the best in Muzaffarnagar district and Sitapur district held the mid position. In Ghazipur, there were no societies (barring six large-sized societies) with outstandings above Rs 2.00 lakhs, while in Sitapur there were 15 societies in this category. The total number of the PACS was the highest in Ghazipur (602) followed by about equal number in Muzaffarnagar (315) and Sitapur (313).

2.11 The number of the PACS working at profit was the highest in Ghazipur district (428) followed by Sitapur district (243) and Muzaffarnagar district (216). The overdues at the PACS level were the highest in Muzaffarnagar district (Rs 185.28 lakhs) followed by Ghazipur district (Rs 161.16 lakhs) and Sitapur district (Rs 109.63 lakhs). However, in terms of percentage of overdues to demand, the position was the worst in the Ghazipur district (65 per cent) followed by Sitapur district (60 per cent) and Muzaffarnagar district (35 per cent). The average loan business per society came to Rs. 0.13 lakh, Rs. 0.18 lakh and Rs 1.24 lakhs in Ghazipur, Sitapur and Muzaffarnagar districts, respectively. (Details are given in Statement 8).

Re-organisation of PACS

2.12 The Working Group on Co-operation (Fifth Plan) had recommended that the PACS in each state should be re-organised with a view to having only viable societies. Viability was expected to be achieved with a minimum loan business of Rs 2.00 lakhs without taking into account income from non-credit business. With this end in view, a 'Master Plan' of re-organisation of societies was drawn up for merger/amalgamation of defunct and non-viable societies. Side by side, commercial banks were required to take over specified number of societies for financing especially in the areas where the financial position of the CCB was not satisfactory.

2.20 The above classification is based on the definition of small farmers as laid down in the Uttar Pradesh Agricultural Credit Project which has since been liberalised under the ARC Credit Project. However, even under the earlier definition which was somewhat restrictive, a considerable amount of LT credit has been availed of by small farmers.

2.21 As regards purpose-wise coverage, the position in regard to reimbursement of loans by the branches of the SLDB upto 30 June 1975 in each of the three districts selected for study was as under:

TABLE 5

Purpose	Rs Lakhs					
	Ghazipur district		Sitapur district		Muzaffarnagar district	
	Amount	Percentage to total	Amount	Percentage to total	Amount	Percentage to total
Minor irrigation	136.16	90.6	413.59	99.4	335.69	94.3
Land development	7.02	4.7	—	—	0.18	0.1
Tractors	5.02	3.3	—	—	19.86	5.6
Other productive purposes ..	2.11	1.4	2.51	0.6	—	—
	<u>150.31</u>		<u>416.10</u>		<u>355.73</u>	

2.22 Thus, the study revealed that LT loans had been granted mostly for productive purposes and particularly for minor irrigation works under ARDC schemes. It was gathered from discussions with the SLDB branch managers that, in the past, some of the branches had given loans for purposes like redemption of old debts, land improvement, purchase of tractor, etc. The SLDB branches could not advance MT loans for purposes like dairy, poultry and sheep development as the bank's bye-laws did not provide for advancing loans for such purposes.

2.23 The details of existing staff in the SLDB branches are furnished in Statement 4. It will be seen therefrom that besides the branch managers and accountants, the field staff in each of the branches comprises one field officer and two or three Kisan Sewaks. The district head-quarters branch has one legal assistant and one internal auditor who visit all the branches in the district by rotation. In terms of SLDB Circular No. 150 dated 16 January 1974, the work relating to processing, appraisal and scrutiny of loan applications is required to be done by the field officer and Kisan Sewaks attached to each branch. This field

staff is also required to make post-disbursement checks and submit utilisation certificate. The post-disbursement checks are done to verify the utilisation of the previous instalment before the disbursement of the subsequent instalment. So far, these checks are made only when the cultivators report utilisation of the previous instalment and want to draw the next instalment. There is no system of periodical post-investment checks and verification of the utilisation of last instalment by the SLDB staff. The SLDB branches were also dependent on government staff of Minor Irrigation Department attached to the blocks for post-investment checks, as in terms of the agreement under the Uttar Pradesh Agricultural Credit Project, the responsibility for submitting final utilisation/completion certificates had been placed on the Minor Irrigation Department of the state government.

2.24 As regards technical staff, the SLDB branches were having only one field officer for each branch who was required to do economic appraisal of the loan applications. For this purpose, the Head Office of the SLDB (Economic Cell) has issued detailed instructions which serve as a guide to the field officers. For all other technical work like preparation of technical plans, technical guidance to the cultivators in location of wells and borings, selection of suitable motors/pumpsets, the SLDB branches were dependent on government staff of the Minor Irrigation Department attached to the blocks. For technical guidance in agricultural matters like cropping pattern, propagation of high yielding varieties and improved agricultural practices, the branches were dependent on Agriculture Department staff attached to the blocks. After integration, it is assumed that the LT loan work can be undertaken by the staff of ST credit wing and also that the supervisors can undertake post-investment checks. The proposed field staff can undertake the work relating to economic and technical appraisal and post-investment checks. The details of the category and the number of staff assumed after integration are discussed subsequently in this report.

Findings of the Study

2.25 In terms of the guidelines given by the Committee, a detailed study of two SLDB branches in each of the three selected districts was carried out. Five PACS in the areas of operation of the selected SLDB branches were also studied in each of the 3 districts. The purpose of the study was to find out the existing relationship between the long and short-term wings of the co-operative credit structure. The SLDB branches were so selected as to have a representative coverage of the

district. While selecting the societies, care was taken to ensure that they have a minimum business (existing or potential) of Rs 2.00 lakhs or above. The results of this study are tabulated in Statements 5 to 7. It will be seen therefrom that the total membership of the 5 selected societies was the highest in Ghazipur district (7,882) followed by Sitapur district (5,815) and Muzaffarnagar district (2,717). However, the percentage of borrowing members to total members was the highest in Muzaffarnagar district followed by Sitapur and Ghazipur districts. Loans issued during 1974-5 were the highest in Ghazipur district (Rs 10.59 lakhs) followed by Muzaffarnagar district (Rs 7.96 lakhs) and Sitapur district (Rs 5.01 lakhs). The recovery performance of these 5 primary societies was the worst in Ghazipur district (total overdues Rs 7.13 lakhs) followed by Sitapur (total overdues Rs 5.56 lakhs) and Muzaffarnagar districts (total overdues Rs 2.93 lakhs). The working results of these societies during the last year show that practically all of them were working at a profit (though nominal).

2.26 The following table¹ will indicate that a large number of borrowers who had availed of LT loans did not get ST credit and *vice versa*.

TABLE 6

Sl. No.	Particulars	Name of district		
		Ghazipur	Sitapur	Muzaffarnagar
1.	Number of PACS studied	5	5	5
2.	Total membership of the PACS	7,882	5,815	2,717
3.	Number of members of PACS who had taken LT loans	172	93	66
4.	Percentage of (3) to (2)	2.3	1.6	2.4
5.	Number of borrowers of SLDB branch from the area of the PACS	305	448	155
6.	Out of borrowers in (5) above, those who had borrowed ST credit	162	135	51
7.	Percentage of (6) to (5)	53	30	33

2.27 The reasons for the poor support between the ST wing and the LT wing as revealed by the study of the 3 selected districts are summarised below :

- (i) Lack of co-ordination between long and short-term credit wings.

¹For details see Statements 5 and 6

- (ii) Low coverage of membership by both long and short-term credit wings.
- (iii) Inability of the PACS to lend because of heavy overdues. In some instances, this was also true in the case of the SLDB branches, e.g., in Sitapur district, Sidhauli and Biswan branches of the SLDB had to suspend loaning for some time because of heavy overdues.
- (iv) Lack of extension work resulting in the cultivators' following traditional cultural practices which do not require high monetary investments.
- (v) Reluctance on the part of cultivators to incur heavy debt burden by availing of both ST and LT loans.
- (vi) Some cultivators reported that they did not require LT or ST loans as their land holdings were too small.
- (vii) A large number of cultivators stated that they did not require LT loans for minor irrigation purposes as the area was covered by a network of canals or government tubewells or they could purchase water/hire pumpsets from the neighbouring tubewells.
- (viii) Some cultivators reported that they did not require LT loans for minor irrigation work as they were having their own sources of irrigation.
- (ix) Some cultivators reported that they did not avail of the ST finance from societies since they did not enrol themselves as members of the PACS and were meeting the cultivation expenses from their own resources.

CHAPTER 3

PROJECTIONS

3.1 The Group made a detailed analysis of the viability of the institutions after integration and made certain projections in this regard. These projections can be grouped under the following heads:

- (i) Organisational set-up
- (ii) Business (Credit)
- (iii) Staff
- (iv) Working results (income and expenditure)

Organisational Set-up

3.2 For the purpose of the study, it has been assumed that the ST and LT credit wings will be merged at the intermediary and primary levels only. The existing business of the SLDB will, thus, stand transferred to the CCB in each district. The PACS will act as channel for funds and disburse LT loans in the same manner as ST loans are presently being disbursed by them. The functions regarding LT loan business of the PACS and the branches and Head Office of the CCB after integration have been assumed as under: (These functions are in addition to the existing functions).

(i) Primary Agricultural Credit Society :

- (a) receipt of loan applications and maintenance of relative records;
- (b) preliminary scrutiny of loan applications with special reference to the particulars regarding land holdings, crops, value of security, etc.;
- (c) disbursement of loans;
- (d) maintenance of individual accounts of LT loans;
- (e) recovery of LT loans; and
- (f) preparation and submission of returns to the branch of the CCB.

(ii) Branch of the District Central Co-operative Bank:

- (a) disbursement of the LT loans sanctioned to the society for being passed on to the cultivators. (The total amount of loans sanctioned will be credited to the account of the PACS with the branch of the CCB and thereafter the society will disburse the LT loans to the borrowers by cheques);
- (b) maintenance of LT loan accounts of the societies;
- (c) consolidation of returns relating to LT loans received from the societies;
- (d) preparation of returns relating to LT loans for submission to Head Office;
- (e) scrutiny of legal aspects of the loan applications;
- (f) final scrutiny of the loan application; and
- (g) sanction of loans by the Loan Committee.

(iii) Head Office of the District Central Co-operative Bank:

- (a) maintenance of records relating to funds received from/sent to Head Office of the SLDB;

- (b) consolidation of returns relating to LT loans received from the branches; and
- (c) preparation of returns for submission to the Head Office of the SLDB.

CREDIT PROJECTIONS

Anticipated Credit Coverage

Short-term

3.3 The short-term credit requirements of the entire state are estimated at Rs 500 crores. This is based on the assumption that the scale of finance will be Rs 250 per hectare for irrigated land and Rs 125 per hectare for un-irrigated land. Applying this norm, the ST credit requirements of the three districts selected for the study are estimated as under, (details given in Statement 8) :

TABLE 7

Name of the district	Area in thousand ha		Credit requirements (Rs Lakhs)
	Irrigated	Unirrigated	
Ghazipur	103	162	160.00
Sitapur	99	323	651.25
Muzaffarnagar	256	70	727.50

3.4 As against the above credit requirements, the outstanding ST loans as on 30 June 1975 stood at Rs 112 lakhs, Rs 116 lakhs and Rs 393 lakhs in the CCB of Ghazipur, Sitapur and Muzaffarnagar districts, respectively. The ST loans issued during 1974-5 by the PACS stood at Rs 81.09 lakhs in Ghazipur district and Rs 390.39 lakhs in Muzaffarnagar district. For Sitapur district, the latest available data revealed that the PACS had during 1973-4 issued loans upto Rs 79.54 lakhs.

3.5 Data regarding advances made during the last 5 years by the CCB of the three selected districts are furnished in Statement 9. It will be seen therefrom that the average growth during the last 5 years ranges from 35 per cent in Muzaffarnagar district to 71 per cent in Sitapur district. The increase in advances during 1974-5 as compared to 1970-71 was the highest in Ghazipur district (267.5 per cent)

followed by Sitapur district (222 per cent) and Muzaffarnagar district (203 per cent). Keeping in view the past performance of the three CCB and the concerted efforts being made by the state government in re-organisation of the PACS, the Group has assumed that the co-operative sector is expected to meet ST credit requirements to the extent of Rs 350 lakhs in Ghazipur district, Rs 400 lakhs in Sitapur district and Rs 650 lakhs in Muzaffarnagar district. The estimated business at Rs 350 lakhs and Rs 400 lakhs in Ghazipur and Sitapur districts, respectively might appear to be apparently on the high side when viewed against an outstanding of Rs 145 lakhs and Rs 120 lakhs, respectively. However, it has to be noted that the state government has recently decided to divest the Cane Unions of their credit business and large investments are being made in minor irrigation works under the ARDC schemes, which together will improve the business; the projected business in 1978-9 is, therefore, quite reasonable. It has been further assumed that the PACS in all the 3 districts will contribute at least 10 per cent of this amount from their own resources and, accordingly, the ST loan outstandings at the end of June 1979 will be around Rs 315 lakhs in Ghazipur, Rs 360 lakhs in Sitapur and Rs 585 lakhs in Muzaffarnagar as against Rs 112 lakhs (Ghazipur), Rs 116 lakhs (Sitapur) and Rs 393 lakhs (Muzaffarnagar) as on 30 June 1975. Thus, there will be an increase of Rs 203 lakhs in Ghazipur district, Rs 244 lakhs in Sitapur district and Rs 192 lakhs in Muzaffarnagar district in ST loan outstandings. The lower increase in Muzaffarnagar district is due to the fact that its present level of ST advances is already high which is not so in the case of the other two districts.

3.6 Besides the increase in ST business, it is also expected that there will be an increase in MT loans and other loans disbursed by the CCB. The assumption made by the Group in this regard is that the outstandings under these heads can be projected at Rs 100 lakhs in Ghazipur district, Rs 80 lakhs in Sitapur district and Rs 150 lakhs in Muzaffarnagar district by the end of June 1979 as against Rs 84.80 lakhs (Ghazipur), Rs 52.59 lakhs (Sitapur) and Rs 129.53 lakhs (Muzaffarnagar) as on 30 June 1975.

Long-term

3.7 As regards LT credit requirements, the field studies of the three selected districts have revealed that minor irrigation has so far been the largest single purpose in the state and this trend is expected to continue for some years more. In Uttar Pradesh, three major irrigation

projects, viz., Sarda Sahayak, Gandak and Ramganga are being implemented. These projects through their network of canals are expected to benefit 24.43 lakh hectares of land. Even if the scope for continuous lending for exploitation of groundwater declines in the years to come, the demand for LT loans for on-farm development in the command areas of these irrigation projects is likely to rise and make good the loss in business on account of any decline in lending for minor irrigation purpose. As regards tractor loans, it was observed that so far, the contribution of the SLDB has not been significant in this regard. As per the SLDB rules, tractor loans cannot be sanctioned in excess of Rs 30,000 per borrower and all the applications for such loans have got to be sanctioned at the Head Office of the SLDB which results in some delay. In view of the high cost of tractors (Rs 60,000 per unit including accessories), the cultivators find it difficult to meet the balance from their own resources. On the other hand, commercial banks are advancing tractor loans with a margin of only 15 to 25 per cent. Therefore, although there is sufficient demand for loans for purchase of tractors, the LT wing can step in only if its loaning policies are brought in line with those of the commercial banks. The Group assumes that this difficulty will be overcome and loans for purchase of tractors will also be given commensurate with needs by the co-operative credit institutions. As regards loans for dairy, poultry and sheep-breeding, field studies have revealed that the SLDB branches are presently not in a position to extend these loans in view of legal difficulties (absence of provision in the bye-laws of the bank). Though there is considerable scope therefor, once this legal embargo is removed, co-operative credit structure, after integration, can extend loans for these purposes.

3.8 Based on the assumptions indicated in the previous paragraph, the projected requirements of LT credit have been worked out for traditional purposes like minor irrigation and land development and loans for new purposes like farm mechanisation, dairy, poultry, sheep development, etc.

3.9 The LT credit gap has been estimated at Rs 120.14 lakhs in Ghazipur district, Rs 115.32 lakhs in Sitapur district and Rs 26.51 lakhs in Muzaffarnagar district on the basis of the ARDC-assisted schemes under implementation. In addition to this, there is a likelihood of further demand for LT credit for new purposes like farm mechanisation, dairy, poultry, sheep development, etc. This demand is projected at Rs 100 lakhs each for Ghazipur and Sitapur districts and Rs 300 lakhs for Muzaffarnagar district.

3.10 On this basis, the estimates regarding anticipated level of LT credit can be summarised as under :

TABLE 8

		Rs Lakhs		
		Ghazipur	Sitapur	Muzaffar-nagar
(1)	Existing level of LT loans	150.31	416.10	355.73
(2)	Add Additional investment through ARDC schemes	120.14	115.32	26.51
(3)	Add LT loans from anticipated business ..	100.00	100.00	300.00
Total ..		370.45	631.42	682.24
(4)	Less Anticipated recoveries	115.45	186.42	202.24
(5)	Net outstanding of LT loans ..	255.00	445.00	480.00

The advances, investments from own sources and borrowing requirements of the PACS after integration are projected as follows :

TABLE 9

		Rs Lakhs		
		Ghazipur	Sitapur	Muzaffar-nagar
1.	(a) ST advances estimated to be outstanding	315	360	585
	(b) MT and other advances outstanding ..	100	80	150
Total ..		415	440	735
2.	Add Estimated LT loans	255	445	480
Total ..		670	885	1215
3.	Less Investments from own resources (based on the present extent of their investments)	125	185	570
4.	Net borrowings required	545	700	645
5.	Out of (4), borrowings required for:			
	(a) ST	290	255	165
	(b) LT	255	445	480

3.11 With the attainment of the projected level of lending and assuming that each Nyaya Panchayat will have one PACS, the average loan business per society after integration is expected to be around Rs 3.86 lakhs, Rs 4.50 lakhs and Rs 11.74 lakhs in Ghazipur, Sitapur

and Muzaffarnagar districts, respectively as worked out in the following Table.

TABLE 10

Rs Lakhs

District	Total loan business to be handled by the PACS in the district			Number of PACS in the district after re-organization	Average loan business per society		
	ST & MT	LT	Total		ST & MT	LT	Total
1. Ghazipur ..	460.00	285.00	745.00	193	2.38	1.48	3.86
2. Sitapur ..	490.00	495.00	985.00	219	2.24	2.26	4.50
3. Muzaffarnagar	815.00	535.00	1350.00	115	7.09	4.65	11.74

3.12 The viability of the society after integration in each of the districts has been worked out in detail in Statements 10, 11 and 12. It will be seen therefrom that, on an average, each society is expected to make an annual profit of Rs 0.04 lakh, Rs 0.06 lakh and Rs 0.25 lakh, respectively in Ghazipur, Sitapur and Muzaffarnagar districts. In addition to this, some profit can be expected from non-agricultural credit and non-credit business. Thus, it can be safely concluded that, after integration, the PACS will become viable and will have sufficient income to maintain full-time paid secretaries, regular offices, establishment, etc.

Projections Regarding Staff

Quantum

3.13 The existing and proposed staffing pattern of the integrated bank (at the intermediary level) in each of the three districts selected for study is given in Statement 13. These projections are based on the proposed organisational set-up and credit projections assumed in the foregoing paragraphs. For the purpose of the present study, it has been assumed that during the next five years the number of branches of the CCB in the three districts will be the same as at present. At the Head Office of the CCB, it is assumed that one secretary as at present will look after both long and short-term loan business after integration. However, he will be assisted by seven other managerial staff; of these, one would be law officer (shown under the head 'technical'), one chief accountant, one executive officer in-charge of all the branches and the remaining four officers will assist the secretary in both LT and ST loan

business, at the rate of one officer for each tehsil. In regard to field staff attached to Head Office now, it has been assumed that they will have to be posted at the branches for operational reasons, as it will save time in reaching their area of operation and also enable them to be in close touch with the cultivators.

3.14 As regards the branches, it has been assumed that after integration, in addition to one manager, each branch will, on an average, have one accountant, one cashier, two clerks, one guard and one peon. As regards field staff, each branch will have one field officer assisted by one technical and two non-technical field supervisors who will attend to the work emanating from the PACS attached to that particular branch. The technical field supervisor will attend to the technical appraisal of LT loan applications. Strength of legal officers/assistants at present available at the district level can be increased according to the volume of business. Since the branches will, after integration, be handling both LT and ST loan business, this is the minimum complement of staff considered necessary by the Group. Based on these norms, the total staff requirements have been projected in Statement 13 and are summarised below :

TABLE 11

Category of staff	Ghazipur district		Sitapur district		Muzaffarnagar district	
	Existing	Proposed	Existing	Proposed	Existing	Proposed
1. Managerial ..	20	30	9	32	27	46
2. Field staff ..	58	44	51	48	NA	76
3. Clerical ..	45	43	45	48	NA	69
4. Class IV ..	33	30	26	34	55	48
	156	147	131	162	188	239

Note: Existing staff includes staff of both long and short-term wings now working separately.

Cost

3.15 The existing pay scales of the SLDB and the CCB staff are furnished in Statement 14. It will be seen therefrom that the pay scales and total emoluments of staff in the CCB are better as compared to those of SLDB staff, due to the 'Award Scales' applicable to the former. Since it would be anomalous to continue the SLDB pay scales after integration, the Group has assumed that the emoluments and pay-scales of staff will be based on the scales of the CCB. Higher scales would also be justified on the ground that, after integration, the staff will have to attend to both LT and ST loan business which will entail greater

responsibility and larger work-load. The details regarding average pay range, average monthly emoluments and total monthly expenditure in respect of the proposed staff of the integrated bank (both at the Head Office and branches separately) in each of the three districts are given in Statement 15. The annual expenditure on staff has also been worked out therein. The maximum annual expenditure on staff is in Muzaffarnagar district (Rs 18.19 lakhs) followed by Sitapur district (Rs 12.35 lakhs) and Ghazipur district (Rs 11.27 lakhs). The difference is mainly due to the variations in the strength of staff based on the number of branches of the CCB in each of these districts.

Working Results

3.16 Taking into account the requirements of the PACS as estimated earlier, the projected resources and lending pattern of the integrated district banks are given below along with the existing position of relative items of consolidated balance sheet of the CCB and the branches of the SLDB in each district.

TABLE 12

Particulars	Rs Lakhs					
	Ghazipur		Sitapur		Muzaffarnagar	
	Existing	Projected	Existing	Projected	Existing	Projected
1	2	3	4	5	6	7
Liabilities						
1. Paid-up capital	59.51	85.00	62.84	90.00	119.34	140.00
2. Reserves ..	12.80	15.00	13.19	17.00	24.22	30.00
3. Deposits ..	113.19	150.00	142.29	200.00	511.86	610.00
4. Borrowings						
(a) ST/MT ..	115.28	290.00	44.67	255.00	73.11	165.00
(b) LT ..	152.67	255.00	406.82	445.00	340.43	480.00
5. Other liabilities ..	10.30	9.00	110.77	113.00	47.72	57.00
Total ..	463.75	804.00	780.58	1120.00	1116.68	1482.00
Assets						
1. Cash, bank balances & investments ..	68.46	80.00	66.22	80.00	161.75	190.00
2. Loans						
(a) ST ..	196.80	415.00	168.82	440.00	522.68	735.00
(b) LT ..	150.31	255.00	389.29	445.00	355.73	480.00
3. Fixed assets ..	2.17	4.00	3.35	5.00	9.94	12.00
4. Other assets ..	46.01	50.00	152.90	150.00	66.58	65.00
Total ..	463.75	804.00	780.58	1120.00	1116.68	1482.00

3.17 Based on the foregoing assumptions regarding the projected resources and lending operations, staffing pattern, etc., the income and expenditure and working results of the integrated bank in each of the 3 districts selected for study are given in the following Table. For a comparative analysis, the existing position of the relative items of consolidated profit and loss account of the CCB and the branches of the SLDB in each district is also given in the Table.

TABLE 13

		Rs Lakhs					
		Ghazipur		Sitapur		Muzaffarnagar	
		Existing	Projected	Existing	Projected	Existing	Projected
Income							
1. Interest on ST agricultural advances at 11.25 per cent (calculated on June outstanding taken as average) ..		40.53	47.72	56.62	49.50	95.39	82.68
2. Interest on LT advances at 9.5 per cent ..			24.22		42.27		45.60
3. Other income (admission fee, valuation fee, etc.)		1.01	2.00	1.10	2.00	3.48	4.50
		41.54	73.94	57.72	93.77	98.87	132.78
Expenditure							
1. Interest on deposits			9.00		12.00		36.60
2. Interest on ST agricultural borrowings at 8.75 per cent		25.49	25.73	42.48	22.31	62.40	14.44
3. Interest on LT borrowings at 8.5 per cent ..			21.67		37.83		40.80
4. Establishment cost		12.39	11.27*	9.08	12.35	16.95	19.19
5. Other expenditure		3.43	4.00	4.35	5.50	9.73	11.00
6. Profit ..		0.23	2.27	1.81	3.78	9.79	11.75
		41.54	73.94	57.72	93.77	98.87	132.78

* The reduction in expenditure under this head is due to reduction in the total number of staff contemplated after integration.

3.18 The foregoing data will indicate that integration will improve the banks' profitability and thereby help them in improving their quality of lending and other services.

CHAPTER 4

BENEFITS OF INTEGRATION

4.1 The Group examined, in detail, the benefits that are likely to accrue from integration of the ST and LT credit wings at intermediary and primary levels. The following benefits are likely to result from integration :

(i) While the PACS will be at the Nyaya Panchayat level, the branch of the SLDB is located at tehsil headquarters which in some cases is quite far away. If these two agencies are integrated, it will make all types of credit available to the beneficiaries at one single accessible point. Cultivators will not have to go to tehsil head-quarters for LT loans as at present. They will approach the PACS at Nyaya Panchayat level for all their credit needs.

(ii) After integration, there is likely to be a better recovery performance of LT credit wing as the ST credit needs of the cultivators would also be met by the societies. Since the cultivators will be in close touch with the PACS for all their credit requirements, the recovery performance of both types of loans is likely to improve. This is not possible under the present system wherein the SLDB branch is unable to keep in touch with all the borrowers in a tehsil while the area of operation of a PACS will be one Nyaya Panchayat.

(iii) Integration will result in higher scales of pay to the SLDB staff for reason indicated earlier in the report.

(iv) Integration will make the PACS more viable.

(v) Integration will result in economies of scale through savings on account of overhead charges.

(vi) Integration will also result in better management of funds. An analysis of the monthly bank balances maintained by the SLDB branches in the districts, selected for study during the last two years, reveals the following picture :

TABLE 14

Rs. Lakhs

DISTRICT	BANK BALANCES MAINTAINED		
	Minimum	Maximum	Average
Ghazipur	1.54	7.90	2.61
Sitapur	0.43	4.86	2.32
Muzaffarnagar	0.62	6.59	2.52

The above bank balances were kept in current account by the SLDB branches in CCB/SCB and did not yield any interest. With integration, there will be no need to maintain these idle funds and to that extent the SLDB Head Office will benefit.

(vii) The intermediary level organisation will also become not only financially stronger with larger business (potential as well as existing) but also be able to render better service and improve the quality of lending.

CHAPTER 5

LIKELY PROBLEMS

5.1 The Study Group also examined, in detail, certain problems which are likely to arise as a result of integration of long and short-term credit wings at intermediary and primary levels. The following problems are anticipated in this regard :

General

(i) With the merger of the two wings of the co-operative credit structure, the burden of overdues of the integrated institution will be quite heavy and special efforts/drive will have to be carried out in order to bring them down. If this is not done, the integrated institutions in the districts selected for study may not be able to do the anticipated LT loan business as will be observed from the following table :

TABLE 15

District	Rs Lakhs								
	As on 30 June 1975								
	Amount of overdues			Demand			Percentage of overdues to demand		
	SLDB (4 branches)	CCB	Total	SLDB	CCB	Total	SLDB	CCB	Total
Ghazipur	6.61	153.96	160.57	32.08	244.38	276.46	20.6	63.0	58.1
Sitapur	47.61	84.49	132.10	101.08	197.40	298.48	47.1	42.8	44.3
Muzaffarnagar	1.83	191.40	193.23	67.77	479.69	547.46	2.7	39.9	35.3

The quantum of overdues after integration is the highest in Muzaffarnagar district followed by Ghazipur and Sitapur districts, but in terms of percentage to demand, the position of Ghazipur district is the worst followed by Sitapur and Muzaffarnagar districts.

(ii) The existing staff of the CCB and the PACS may not be able to handle straightway the LT loan business after integration. To solve this problem some training in appraisal methods may have to be provided to existing staff.

Interest Rates

(iii) At present, some of the CCB are extending MT loans for purposes like purchase of pumpsets, construction of tubewells, purchase of milch animals or bullocks, etc., at rates different from those prevalent in commercial banks and branches of the SLDB for similar purposes. Moreover, after the proposed integration, the rate of interest charged for ST loans will be higher than the rate for LT loans by the same agency which does not appear realistic. Thus, the question of rationalisation of interest rates assumes greater importance in view of the competition from commercial banks which are already implementing schemes sanctioned by the ARDC at lesser rate of interest.

(iv) Certain other problems arising out of integration, *inter alia*, are integration of staff at various levels, equation of posts, fixation of seniority and determination of pay-scales.

Legal Problems

5.2 The Group also examined the legal problems that may arise out of the contemplated integration and these are enumerated below:

(i) Transfer of membership and other assets of the SLDB branches to the CCB. Part of the assets and liabilities will have to be transferred to the PACS also.

(ii) The existing mortgages in favour of the SLDB will have to be transferred in favour of the CCB.

(iii) Amendment to the provisions in the Co-operative Societies Act to enable the CCB and the PACS to extend LT loans.

(iv) Amendment to the bye-laws of the SLDB to enable it to give loans for purposes like dairy, poultry and sheep-breeding which, at present, it is not empowered to do.

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Lucknow
26 May 1976.

ANNEXURE 1

COMMENTS ON THE REPORT OF THE STUDY GROUP RECEIVED FROM SHRI O. P. SHARMA, SECRETARY, UTTAR PRADESH STATE CO-OPERATIVE BANK LTD.

1. I am giving my views on the Report of the Study Group set up on the above subject.

2. The observations made in Chapter 3 of the Report under the heading 'Projections' are intended to establish that the total loaning, both for short-term and long-term after merger, shall increase to an extent that the primary society would become a viable unit. The other advantages of integration as mentioned in Chapter 5 are:

- (a) Availability of all types of credit to the borrower at one single point;
- (b) Better recovery performance of LT credit structure;
- (c) Lesser cost of management on account of larger turn-over and consequently less overhead charges;
- (d) Better management of funds; and

(e) The District Central Co-operative Bank will also become financially more strong due to increase in the business. A brief mention has also been made in Chapter 5 of the report about the problems which are likely to arise as a result of integration, e.g., (1) heavy overdues in ST structure, (2) different rates of interest prevalent under short-term and long-term credit structure, (3) integration of staff at various levels and (4) legal problems relating to amendment of bye-laws and change in loaning procedure, etc.

3. My personal view in the matter is that the integration of long-term and short-term structure in this state will do more harm than good. In respect of the three selected districts, the report points out that the short-term structure in the three districts is deficient both in availability of credit and also in respect of the recovery of the short-term loan itself. On the contrary, the performance of the long-term structure in all the three districts is much better than that of the short-term credit structure. To my mind, one important reason for the better performance of the long-term structure in this state is that it did not start with the primary structure at the base. The SLDB has a unitary pattern with branches all over the state. The Land Development Bank having been established as late as 1959 in this state had the choice to adopt the Gujarat pattern rather than the older pattern of having primary land development bank as existed in all other states. Unitary pattern assures effective and immediate communication of the policies and orders to the lowest level. It also ensures better control and supervision over the branches and the staff. The short-term credit structure, having a three-tier structure, lacks these advantages and this, in turn, affects the efficient working of these institutions. The federal pattern of long-term loaning was also changed in Maharashtra to be replaced by the unitary pattern. This has been done recently by enacting a suitable legislation. Integration of the above two structures in Uttar Pradesh will bring the primary agricultural credit societies into picture insofar as the long-term loaning is concerned and this will certainly affect the quality of loaning as well as recovery.

4. It has been mentioned in the Report that the LT loaning at present is mostly confined to minor irrigation but the future pattern of loaning will be for various projects which may be called 'on farm' development. Preparation of these schemes is highly technical and the primary societies even after re-organisation and integra-

tion should not be expected to employ technical staff which will be required for this purpose. I share the views that the Land Development Bank branches are inadequately staffed at present but this is not so because they cannot afford it or their branches are not viable or potentially viable. The inadequate staff of the LDB at present is due more to historical reasons because from the very beginning a pattern was evolved under which the VLW, ADO (Minor Irrigation) and technical staff of the Irrigation and Agricultural Departments were made available by the state government for the work of the Land Development Bank. A primary society can hardly employ any technical staff for that type of long-term loaning which is likely to emerge in future.

5. It has rightly been mentioned in the Report that as a result of merger the primary societies will have much heavier overdues than what the branches of the Land Development Bank have at present. According to the instructions of the RBI and the ARC there will be no loaning in any of the primary society till the percentage of overdues is less than 25 per cent.

6. Loaning for long-term and short-term by the same primary society is likely to raise problems of accounting and confusion in repayment, e.g., in the case of part payment by a farmer, it will be difficult to apportion how much should go towards the repayment of short-term loan and how much towards the repayment of long-term loan. It may also give rise to fictitious recovery by utilising the long-term loan repayment by some members towards the repayment of short-term loans of other members, and when the short-term loan has been re-advanced then utilising that amount for repayment of the long-term loan. The vested interests in the society in collusion with the staff of the co-operative societies are quite capable of doing such things and if that happens, then the evil which has been routed out with great efforts by introduction of the cheque system in the primary societies will again be prevalent.

7. The primary society in order to become viable has to have a loaning of two to three lakhs of rupees. This is possible on the basis of the short-term loaning itself, e.g., in the case of Ghazipur district you have estimated that the total short-term credit requirement will be Rs 460 lakhs. The total number of societies after re-organisation is likely to be 160 (and not 190, as mentioned in your report). This will give a loaning of about Rs 2.90 lakhs per society. Besides, the society will also have some non-credit business. The total projected loaning in long-term is Rs. 255 lakhs in Ghazipur district which alone is sufficient to sustain the 4 existing branches of the LDB and to enable them to have the full complement of the staff which may be considered necessary. The schemes for long-term loaning, its procedure and the management and its funds is so technical that even the integrated primary society will find it difficult to handle.

8. The guarantee extended by the state government to debentures issued by the LDB is an essential and accepted feature of the long-term loaning programme. This guarantee is given on the basis of mortgages and an assurance that sufficient funds will be allocated every year to the Sinking Fund to guarantee repayment on the due date. After integration, this assurance will be lost and it may be difficult for the state government to extend guarantee to the debentures issued by the LDB. LDB in order to run efficiently must have a recovery of 80 per cent. This is more or less the condition in this state at present. As a matter of fact, the position is likely to further improve during this year. With the merger of the short-term loaning, it is certain that the percentage of recovery will go down than what it is to-day in the SLDB. If that happens, even the annual contribution of the Sinking Fund will be doubtful.

9. It has been mentioned in the report that the integration will ensure better management of funds. I do not share the view. Perhaps the basic idea underlying this statement is that at the CCB level there will be a common fund which should be utilised for meeting expenditure or loans either for short-term or long-term. Even the recoveries may also be utilised either towards repayment of dues of the SCB or of the SLDB. This is not a happy position. This inter-mixing of the funds is likely to create more confusion and should be avoided.

10. The interest charged from the borrowers of the long-term loans in Uttar Pradesh is 10.5 per cent and that from the short-term borrowers 14 per cent. A common rate of interest is essential in integration and because the primary societies cannot reduce the rate of interest below 14 per cent; therefore, the only alternative is to raise long-term rate of interest also from 10.5 per cent to 14 per cent which shall be resented by the cultivators.

11. It has been mentioned in the Study Report relating to Ghazipur district that cash component was given only to such members who were lifting fertilisers and that this system of financing is discouraging the members to borrow from the society. I think that this is not a correct assessment of the situation. A certain weightage in the loaning in the form of fertilisers is in the interest of the borrower and the society.

12. It has also been mentioned that the quantum of ST credit provided by the co-operative society to the borrowers of LDB was most inadequate. While it may be quite true it cannot be concluded that the merger of the two structures will ensure a higher quantum of short-term loaning to the borrowers of the LDB. A gap between the short-term credit requirement and actual disbursement of the ST loan cannot be met, even partially, by merely merging the LT structure in the primary society.

13. In Uttar Pradesh there is a branch of LDB at tehsil level and the accounts of all the individual members will have to be merged in the accounts of the primary societies and the borrowers will become members of the primary societies themselves. It appears to have been wrongly assumed in the report that the merger of the individual members shall be at the level of the district co-operative banks. As a matter of fact, the district co-operative bank does not have any individual members and any assumption to the contrary will be incorrect.

14. The benefits arising out of the larger turnover and economies of scale will be more than offset by the qualitative deterioration both in loaning and recovery. The problems of management of funds, state guarantee, rate of interest and other matters are of vital importance and I am sure that the Committee will give them the consideration which they deserve. A mention of this danger has been made in the following words:

“But due to certain inherent defects in the functioning of the district co-operative banks for the last few years, it is feared that even for the integrated unit it may not be possible to function properly for achieving better results in the present circumstances.”

15. There is, of course, a great deal of force in the argument that the borrower must be able to get all his credit requirements from one source. An effort can be made to achieve this without resorting to integration. The LDB branch collects applications at present through many sources, e.g., VLW, cane supervisors, soil conservation staff and the Kisan Sewak of the LDB itself. The primary societies can be entrusted with the work of collecting applications within its area of operation

so that the primary society acts as a point of contact between the borrower and the LDB. If the primary co-operative society can be a viable unit on the basis of the short-term loaning alone as I believe it can, then integration is not called for; instead, it is suggested that the primary credit society may be utilised for collecting and processing of loan application of long-term loan and to act as an effective contact point through which the long-term loan can be routed to the borrower.

16. In the end I wish to express my regret for my inability to attend the meeting of the Group on 26.5.1976. I would be failing in my duty here if I do not express my appreciation of the great effort that the officers of the ARDC have put in collecting the enormous data and the preparation of the Report.

ANNEXURE 2

COMMENTS ON THE REPORT OF THE STUDY GROUP RECEIVED FROM R.B. LAL*,
ADDITIONAL REGISTRAR, CO-OPERATIVE SOCIETIES, UTTAR PRADESH

The Group has envisaged the merger of short-term and long-term credit structures at the intermediary and primary levels. There are grave doubts that the PACS will work as viable units if disbursement of long-term loan is transferred to them. Additional staff will have to be posted in societies and the expenditure incurred on them may not be commensurate with the profits accruable on the business of long-term loans. At the intermediate level (i.e., Central Co-operative Bank), there is no parity in the pay scales of co-operative societies and Land Development Bank and the difference in the dearness allowance is glaring. The total additional burden on the LDB would be Rs 65 lakhs per year if the existing dearness allowance principle of the co-operative bank is adopted.

There is a wide gap in the level of performance between Land Development Bank and short-term credit institutions. On 30th June 1975, the total long-term loan outstanding against its members was Rs 154.63 crores, out of which the overdues were Rs 8.06 crores whereas the total loan outstanding against the members in respect of PACS was Rs 124.38 crores out of which Rs 77.34 crores were overdues. The recovery of the LDB has never been less than 75 per cent; it would only mean that the merger of the two structures, would bring out unnecessary distortion in the financial structure of the LDB without any distinct gain.

There is a difference in the resources of the short-term and long-term credit institutions as well as in the mode of disbursement and recovery of short and long-term loans. The debentures constitute the main source of funds for LDB. The role of the ARDC and the linking of International Development Association (World Bank Projects) with the ARDC has further boosted the resources mobilization effort of the long-term institutions. This requires necessary specialization for the preparation of schemes. The short-term credit institutions depend mainly on shares, deposits and borrowings from Apex Bank. In case of long-term finance, it is disbursed on the security of mortgage of unencumbered immovable property. The processing includes valuation of proposed project from the point of view of repaying capacity, technical and economic feasibility of the investment. It involves certain degree of specialization. The short-term loans are seasonal and based on crops with very little emphasis on assessment or technical feasibility. The mode of recovery is also different. Recovery of overdues of long-term loan instalments is affected by distraint and sale of the produce as well as sale of mortgaged land under a prescribed legal procedure. The short-term loan overdues are recovered through amins and its coercive methods are also very different. For short-term loans, there is no formality for mortgaging the land and overdues are not recovered through auction. However, all this expertise connected with the long-term loaning is not expected from the staff posted at the level of the PACS.

As regards rate of interest, there is no parity too. In respect of short-term loan, the RBI provides credit at 7 per cent which is ultimately passed on to the cultivator at 14 per cent on account of the margins charged at the intermediate levels. In case of LDB, money is raised by floating debentures at 7.5 per cent and is passed on to the cultivator at 10.5 per cent. If the two are merged it may not be possible to maintain the cheaper rate for long-term credit.

* Shri R. B. Lal, Additional Registrar represented the state government in place of Shri N. Ranjan.

The Study Group has visualised that after integration there is likely to be a better recovery performance of long-term credit structure. It is a wishful thinking since it has been stated above that the recovery position of long-term loans is far better than that of short-term loans at present. On the other hand, the recovery of long-term loans may deteriorate with the merger of the two credit structures. As regards financial viability of the PACS and the CCB it is not likely to be raised with the augmentation of long-term financing since it would involve heavy expenditure on establishment with the adoption of pay and dearness allowance structure of co-operative banks which is higher than that of the LDB.

The Study Group has very well foreseen the fact that with the merger of the two wings of co-operative credit structure, the burden of overdues of the combined unit will be quite heavy and if it is not brought down, the integrated units may not be able to do the anticipated long-term loan business. In the event of heavy overdues, financial accommodation may not be available from the RBI and the merger may, thus, prove suicidal.

STATEMENT 1

GENERAL PARTICULARS OF THE THREE DISTRICTS SELECTED FOR STUDY

Sl. No.	Items	Ghazipur		Sitapur		Muzaffarnagar	
1.	Area in square Kilometres	3332		5738		4245	
2.	Total population (in lakhs)	18.32		18.84		18.02	
3.	Of which, rural —do—	16.63		17.42		15.52	
4.	Number of tehsils	4		4		4	
5.	Number of blocks	16		19		14	
6.	Number of centres with population exceeding 10,000 ..	9		Nil		13	
7.	Number of villages	3319		2361		1087	
8.	Area under cultivation (in lakh ha)	2.65		4.22		3.26	
9.	Of which, area irrigated —do—	1.03		0.99		2.56	
10.	Area under different crops (in ha):						
(a)	Paddy	86,658		80,494		1,54,050	
(b)	Wheat	38,495		1,31,646		2,41,532	
(c)	Other food crops	1,52,856		—		1,50,159	
(d)	Sugarcane	15,506		—		2,54,050	
(e)	Other cash crops (groundnut, potato, etc.)	26,349		27,109		30,316	
11.	Size-wise distribution of holdings:	No.	Area	No.	Area	No.	Area
(a)	2.5 acres and less	1,90,372	63,134	2,52,037	1,06,200	72,883	1,65,766
(b)	More than 2.5 acres but less than 5 acres ..	39,019	54,423	82,382	1,16,524	62,870	2,41,525
(c)	More than 5 acres but less than 7.5 acres ..	15,336	36,980	33,098	79,457	27,553	1,97,618
(d)	More than 7.5 acres but less than 10 acres ..	7,249	24,805	13,885	47,231	12,495	1,50,960
(e)	More than 10 acres	11,646	85,941	16,763	1,12,846	10,199	34,761
12.	Number of branches of commercial banks ..	24		24		62	
13.	Deposits with commercial banks as on 30.9.1975 (Rs lakhs)	951.59		1375.41		3025.88	
14.	Advances made by commercial banks for agriculture (Rs lakhs)	88.42		53.61		214.25	
(a)	Of which, through co-operatives	NA		NA		NA	
(b)	Others	NA		NA		NA	

STATEMENT 2

PARTICULARS OF THE DISTRICT CENTRAL CO-OPERATIVE BANKS
IN THE DISTRICTS SELECTED FOR STUDY
AS ON 30 JUNE 1975

Rs Lakhs

Sl. No.	Items	Ghazipur	Sitapur	Muzaffar-nagar
1.	Paid-up share capital ..	48.81	37.11	91.07
2.	Statutory reserve ..	5.76	5.98	11.09
3.	Other reserves and funds	7.04	7.21	13.13
4.	Deposits ..	110.80	141.55	598.83
5.	Borrowings ..	115.28	44.67	73.11
6.	Cash on hand	19.33	11.47	19.89
7.	Balances in current account with banks	5.97	8.09	14.60
8.	Call and fixed deposits	21.18	23.51	84.79
9.	Investments in government and trustee securities	11.50	5.90	26.77
10.	Other investments	7.03	6.00	12.52
11.	Loans and advances:			
	(a) ST agricultural	112.00	116.23	393.15
	(b) MT agricultural	38.27	31.12	31.41
	(c) MT conversion	26.70	9.87	Nil
	(d) Loans to other societies ..	15.87	8.23	79.16
	(e) Loans to individuals ..	3.96	3.37	18.96
	(f) Total loans	196.80	168.82	522.68
12.	Buildings and other fixed assets ..	1.41	3.20	4.61
13.	Accumulated profit(+) or loss (-)	(-)1.90	(+)4.30	(+)20.07
14.	Dividend declared for the			
	year 1973-4	nil	nil	nil
	1974-5	nil	nil	nil
15.	Number of branches (excluding head office)	11	12	19
16.	Particulars of staff (HO and branches):			
	(a) Manager/Secretary	1	1	3
	(b) Asstt. Managers/Branch Managers/Agents	15	4	20
	(c) Accountants and other clerical staff ..	31	33	79
	(d) Supervisors/Field Inspectors	45	41	NA
	(e) Average charge per supervisor	16	8	NA
	(f) Class IV staff	29	22	60

STATEMENT 3

PARTICULARS OF PRIMARY CREDIT SOCIETIES IN THE DISTRICTS SELECTED FOR STUDY
AS ON 30 JUNE 1975

Rs Lakhs

Sl. No.	Items	Ghazipur	Sitapur	Muzaffar-nagar
1.	Number	602	313	315
2.	Of which, state partnered	NA	61	55
3.	Of which, having full-time paid secretary ..	131	188	54
4.	Total membership (in lakhs) ..	1.16	1.26	1.29
5.	Villages covered ..	NA	1759	1087
6.	Total paid-up capital	54.93	50.47	104.43
7.	Of which, Government share capital	4.62	3.75	6.07
8.	Statutory reserve ..	6.05	3.66	15.95
9.	Other reserves and funds	5.42	1.37	128.06
10.	Deposits	5.28	2.28	27.67
11.	Borrowings from the central bank ..	185.28	90.48	393.45
12.	Other borrowings	0.95	0.09	0.09
13.	Investments ..	46.13	nil	84.37
14.	Loans and advances:			
	(a) ST (agriculture)	145.23	119.82	426.08
	(b) MT (agriculture)	48.53	36.57	34.50
	(c) MT Conversion ..	NA	nil	—
	(d) Others	—	nil	—
	(e) Total	193.76	156.39	460.58
15.	Loans overdue	161.16	94.67	185.28
16.	Number working at profit	428	243	216
17.	Amount of profit ..	3.59	3.62	7.30
18.	Number working at loss	115	48	91
19.	Amount of loss	0.87	0.07	0.77
20.	Number of societies working on no-profit no-loss	59	7	8
21.	Number of societies declaring dividends for 1974-5	4	nil	15
22.	Classification of societies according to outstandings			
	(a) Number with outstanding below Rs 50,000	NA	172	NA
	(b) Number with outstanding between Rs 50,001 and Rs 1,00,000	NA	76	NA
	(c) Number with outstanding between Rs 1,00,001 and Rs 1,50,000	NA	20	NA
	(d) Number with outstanding between Rs 1,50,001 and Rs 2,00,000	NA	12	NA
	(e) Number with outstanding between Rs 2,00,001 and Rs 5,00,000	NA	3	NA
	(f) Number with outstanding above Rs 5,00,001	NA	nil	NA

STATEMENT 4

PARTICULARS OF STATE LAND DEVELOPMENT BANK BRANCHES IN THE DISTRICTS
SELECTED FOR STUDY AS ON 30 JUNE 1975

Rs Lakhs

Sl. No.	Items	Ghazipur	Sitapur	Muzaffar-nagar
1.	Number of SLDB branches ..	4	4	4
2.	Paid-up share capital	10.62	25.73	28.28
3.	Reserves	—	—	—
4.	Deposits	1.44	1.56	3.00
5.	Borrowings from the SLDB Head Office ..	152.49	316.34	340.43
6.	Particulars of loans and advances:			
(a)	Number of indebted members	6119	14346	10511
(b)	Amount	150.31	416.10	355.73
(c)	Purposes			
(i)	Minor irrigation (wells, pumpsets)	136.16	413.59	335.69
(ii)	Land levelling, bunding, fencing, etc.	7.02	—	0.18
(iii)	Orchards and plantations	—	—	—
(iv)	Tractors/power tillers	5.02	—	19.86
(v)	Other productive purposes	2.11	2.51	—
(vi)	Non-productive purposes ..	—	—	—
7.	Number of branches working at profit	nil	3	4
8.	Amount of profits for 1974-5.. ..	—	0.91	0.84
9.	Number of branches working at loss	4	1	—
10.	Amount of loss for 1974-5 ..	1.72	0.22	—
11.	Number of branches working at no-profit no-loss	nil	—	—
12.	Amount of overdues ..	6.61	47.61	1.83
13.	Overdues to demand (per cent)	20.6	47.1	2.7
14.	Particulars of staff:			
(a)	Managers	4	4	4
(b)	Accountants	14	12	13
(c)	Kisan Sevaks	9	6	9
(d)	Field officers	4	4	4
(e)	Technical staff	—	—	—
(f)	Class IV staff	4	4	5

STATEMENT 5

MUTUAL CREDIT SUPPORT BETWEEN THE SHORT-TERM AND LONG-TERM CREDIT WINGS IN GHAZIPUR,
SITAPUR AND MUZAFFARNAGAR DISTRICTS.

Sl. No.	Name of the Primary Agricultural Credit Society	Number of members on roll	Number of borrowing members during 1974-5	Number of members who availed LT loan from SLDB in the area of operation of society	Number of members who availed LT loans from commercial banks in the area of operation of society	Reasons stated by the borrowers of the agricultural credit societies for not availing of LT loans during the course of field study and personal interviews				
						Irrigation facility available through canals/tubewells	Irrigation facility available through private tubewells/pumpsets on hire	Does not require LT loans for tube-wells/pumpsets as the holdings are too small	Does not require LT loans for pump-sets as the member is having his own source of irrigation	Not willing to raise LT loans for irrigation or other purposes
1	2	3	4	5	6	7	8	9	10	11
A. Ghazipur District										
1.	Chakia	303	203	14	—	10	54	7	22	3
2.	Pehuli	342	298	4	—	47	24	2	7	8
3.	Sadat	3304	1439	65	3	9	27	—	29	4
4.	Bhimapar	2089	1524	117	7	13	43	—	17	11
5.	Uchawari	1844	666	105	—	22	26	2	18	3
Total		7882	4130	305	10	101	174	11	93	29

B. Sitapur District

1. Puraini	852	57	5	—	15	25	—	12	—
2. Barkapurwa	577	82	5	—	53	12	—	11	1
3. Kaimharakalan ..	650	82	2	—	1	51	2	21	5
4. Deopara	522	104	17	—	69	2	1	11	4
5. Misrikh ..	3214	123	3	—	108	9	—	3	—
Total ..	5815	448	32	—	246	99	3	58	10

C. Muzaffarnagar District

1. Gandevara	801	310	51	5	—	56	17	14	10
2. Basda	584	418	63	9	—	35	6	15	10
3. Rai ..	404	258	32	—	—	22	7	19	—
4. Pindura Jahangirpur ..	298	201	8	1	—	30	—	88	—
5. Bhoora	630	360	85	—	—	13	17	38	8
Total ..	2717	1547	239	15	—	156	47	174	28

STATEMENT 6
SALIENT FEATURES OF THE PRIMARY AGRICULTURAL CREDIT SOCIETIES SELECTED FOR DETAILED STUDY IN GHAZIPUR, SITAPUR AND MUZAFFARNAGAR DISTRICTS

Rs Lakhs

Sl. No.	Name of the PACS	Total membership	No. of borrowing members during 1974-5	Loans issued during 1974-5	Loans outstanding as on 30-6-75	Total amount of overdues	Percentage of overdues to outstanding	Working results (profit)
1	2	3	4	5	6	7	8	9
A.	Ghazipur District							
1.	Chakia ..	303	203	0.38	1.23	1.22	99.5	0.05
2.	Pehuli ..	342	298	0.07	1.21	1.21	100.0	0.14
3.	Sadat ..	3304	1439	6.56	4.25	1.22	28.7	0.59
4.	Bhimapur ..	2089	1524	1.79	2.62	2.62	100.0	0.73
5.	Uchawari ..	1844	666	1.79	0.88	0.86	97.4	0.28
		7882	4130	10.59	10.19	7.13		1.79
B.	Sitapur District							
1.	Puraini ..	852	344	0.10	1.48	1.48	100.0	0.06
2.	Deopara ..	522	149	0.93	1.00	0.42	42.0	0.04
3.	Barkapurwa ..	577	483	0.42	0.76	0.65	86.0	0.07
4.	Kaimhara Kalan ..	650	356	0.20	1.42	1.42	100.0	0.01
5.	Misrikh ..	3214	1654	3.36	4.09	1.59	39.0	0.07
		5815	2986	5.01	8.75	5.56		0.25
C.	Muzaffarnagar District							
1.	Gandevra ..	801	310	1.62	1.94	0.80	41.0	0.09
2.	Basada ..	584	418	2.05	4.81	0.63	13.0	0.17
3.	Rai ..	404	258	0.98	1.62	0.39	24.0	0.16
4.	Pindora Jahangirpur ..	298	201	1.50	1.74	0.57	33.0	0.04
5.	Bhoora ..	630	360	1.81	3.33	0.54	16.0	0.16
		2717	1547	7.96	13.44	2.93		0.62

STATEMENT 7
ANALYSIS OF SHORT-TERM AND LONG-TERM WINGS
AS ON 30 JUNE 1975

Rs Lakhs

Sl. No.	Name of PACS	Total LT loans issued by SLDB branches in the area of operation of society		Total LT loans issued by SLDB branches to the members of the society		LT loans issued by SLDB branches outstanding against the members of the society		LT loans issued by SLDB branches overdue against members of the society	Total ST loans issued by the society to the borrowers of SLDB	
		Number	Amount	Number	Amount	Number	Amount		Number	Amount
1	2	3	4	5	6	7	8	9	10	11
A. Ghazipur District										
1.	Chakia ..	14	0.35	11	0.25	11	0.25	0.06	9	0.08
2.	Pehuli ..	4	0.16	2	0.10	2	0.09	—	2	0.01
3.	Sadat ..	65	2.73	43	1.75	40	1.40	0.16	38	0.37
4.	Bhimapur ..	117	5.55	65	2.28	65	1.68	0.29	65	0.40
5.	Uchawari ..	105	4.06	58	2.32	54	1.67	0.13	48	0.23
		305	12.85	179	6.70	172	5.09	0.64	162	1.09
B. Sitapur District										
1.	Puraini ..	71	3.22	24	1.20	24	1.20	NA	5	0.04
2.	Deopara ..	90	3.23	17	0.62	17	0.38	NA	17	0.12
3.	Barkapurwa ..	60	2.48	17	0.54	17	0.54	NA	5	0.02
4.	Kaimhara Kalan ..	68	3.01	32	1.56	32	1.56	NA	2	(Rs 300)
5.	Misrikh ..	159	6.35	3	0.11	3	0.10	NA	106	0.45
		448	18.29	93	4.03	93	3.78		135	0.63
C. Muzaffarnagar District										
1.	Gandevara ..	15	1.03	14	0.97	14	0.76	nil	10	0.17
2.	Basada ..	15	0.90	12	0.80	12	0.47	nil	11	0.21
3.	Rai ..	32	1.43	22	0.99	22	0.82	nil	17	0.19
4.	Pindora Jahangirpur ..	8	0.39	5	0.26	5	0.18	nil	5	0.09
5.	Bhoora ..	85	4.30	13	0.83	13	0.48	nil	8	0.06
		155	8.05	66	3.85	66	2.71		51	0.72

STATEMENT 8

SALIENT FEATURES OF THE SELECTED DISTRICTS

Sl. No.	Items	Ghazipur	Sitapur	Muzaffarnagar
1.	Total population (in 000's)	1832	1884	1802
2.	Number of villages	3319	2361	1087
3.	Total rural population (in 000's)	1663	1742	1552
4.	Number of rural families (—do—) ..	330	350	310
5.	Primary societies			
	(a) Total ..	602	448*	315
	(b) Defunct ..	59	15*	8
	(c) Active	543	433*	307
6.	Membership of primary societies (in 000's)			
	(a) Total	116	141*	129
	(b) Borrowing	28	32*	43
7.	Working capital of primary societies as on 30-6-75 (in Rs 000's)	3305	25737*	66339
8.	Loans of primary societies			
	(a) Issued during 1974-5 (in Rs 000's)	8109	7954*	39039
	(b) Outstanding as on 30-6-75 (—do—) ..	19376	16513*	46058
	(c) Overdue as on 30-6-75 (—do—) ..	16116	10963*	18528
	(d) Percentage of overdues to demand as on 30-6-75	65	60*	35
9.	Average loan per society (in Rs 000's)	13	18*	124
10.	Cropped area (in 000 ha)			
	(a) Irrigated	103	99	256
	(b) Unirrigated	162	323	70
11.	Credit potential or requirement of the district (in Rs 000's)			
	(a) ST ..	46000	65125	72750
	(b) LT ..	17895	22539	8756
12.	Credit gap in the district (in Rs 000's)			
	(a) ST	35025	46208	10433
	(b) LT	12014	11532	2651

*These data pertain to 30 June 1974.

STATEMENT 9

ADVANCES MADE BY THE DISTRICT CO-OPERATIVE BANKS DURING THE LAST FIVE YEARS AND THE PERCENTAGE GROWTH THEREOF IN THE SELECTED DISTRICTS

District	Rs Lakhs										
	1970-71 Advances	1971-72 Advances	Percentage Growth over Previous Year	1972-73 Advances	Percentage Growth over Previous Year	1973-74 Advances	Percentage Growth over Previous Year	1974-75 Advances	Percentage Growth over Previous Year	Average Percent- age Growth in Advances	Percentage Growth over 1970-71
1. Ghazipur ..	29.59	67.42	127.8	127.97	89.8	88.43	—30.9	95.31	7.8	48.63	222.1
2. Sitapur	30.14	113.52	276.6	119.54	5.30	85.65	—28.3	110.84	29.4	70.75	267.5
3. Muzaffarnagar ..	209.98	337.43	60.7	304.85	—9.66	443.47	45.5	635.99	43.4	34.99	203.4

STATEMENT 10

VIABILITY OF A PRIMARY AGRICULTURAL CREDIT SOCIETY IN GHAZIPUR DISTRICT AFTER
INTEGRATION

	Amount Rs
INCOME	
1. Interest @ 14 per cent on ST loans of Rs 2.38 lakhs . .	33,300
2. Interest @ 10.5 per cent on LT loans of Rs 1.48 lakhs	15,540
3. Other income (dividend on shares, etc.) . .	4,000
	<u>52,840</u>
EXPENDITURE	
1. Interest @ 11.25 per cent on ST loans of Rs 2.15 lakhs	24,200
2. Interest @ 9.5 per cent on LT loans of Rs 1.32 lakhs	12,500
3. Establishment expenses:	
(i) Salaries* . .	8,100
(ii) Office rent, light, etc.	3,000
(iii) Other miscellaneous	1,000
	<u>48,800</u>
Profit(+)/loss(—) . .	.. (+) 4,040

* One secretary — Rs 350, one accountant — Rs 200 and one peon — Rs 125 per month

STATEMENT 11

VIABILITY OF A PRIMARY AGRICULTURAL CREDIT SOCIETY IN SITAPUR DISTRICT AFTER INTEGRATION

	Amount Rs
INCOME	
1. Interest @ 14 per cent on ST loans of Rs 2.24 lakhs. .	31,400
2. Interest @ 10.5 per cent on LT loans of Rs 2.26 lakhs	23,700
3. Other income (dividend on shares, etc.) ..	4,500
Total ..	59,600
EXPENDITURE	
1. Interest @ 11.25 per cent on ST loans of Rs 2.01 lakhs	22,600
2. Interest @ 9.5 per cent on LT loans of Rs 2.03 lakhs	19,300
3. Establishment expenses:	
(i) Salaries*	8,100
(ii) Office rent, etc.	3,000
(iii) Other miscellaneous expenses ..	1,000
Total ..	54,000
Profit(+)/loss(-)	5,600

*One secretary —Rs 350, one accountant —Rs 200 and one peon —Rs 125 per month.

STATEMENT 12

VIABILITY OF A PRIMARY AGRICULTURAL CREDIT SOCIETY IN MUZAFFARNAGAR DISTRICT
AFTER INTEGRATION

	Amount Rs
INCOME	
1. Interest @ 14 per cent on ST loans of Rs 7.09 lakhs . .	99,300
2. Interest @ 10.5 per cent on LT loans of Rs 4.65 lakhs	48,800
3. Other income (dividend on shares, etc.)	11,000
Total ..	<u>1,59,100</u>
EXPENDITURE	
1. Interest @ 11.25 per cent on ST loans of Rs 6.39 lakhs	71,900
2. Interest @ 9.5 per cent on LT loans of Rs 4.17 lakhs . .	39,600
3. Establishment expenses:	
(i) Salaries(*)	14,700
(ii) Office rent, etc.	6,000
(iii) Other miscellaneous expenses	2,000
Total ..	<u>1,34,200</u>
Profit(+)/loss(—)	.. (+) 24,900

*One secretary — Rs 350, three accountants — Rs 200 each, one assistant accountant — Rs 150 and one peon — Rs 125 per month.

STATEMENT 13
EXISTING AND PROPOSED STAFFING PATTERN

					MANAGERIAL				Field staff	Clerical	Peons, etc.	Grand Total
					General	Technical	Others	Total				
					1	2	3	4	5	6	7	8
GHAZIPUR DISTRICT												
A. Existing												
1.	District Co-operative Bank (Head Office & 11 branches)				1	—	15	16	45	31	29	121
2.	SLDB (4 branches)				4	—	—	4	13	14	4	35
Total ..					5	—	15	20	58	45	33	156
B. Proposed												
1.	Head office				1	1	6	8	—	10	8	26
2.	Branches				11	—	11	22	44	33	22	121
Total ..					12	1	17	30	44	43	30	147

(Contd.)

STATEMENT 13 (Contd.)
EXISTING AND PROPOSED STAFFING PATTERN

		MANAGERIAL				Field staff	Clerical	Peons, etc.	Grand Total
		General	Technical	Others	Total				
		1	2	3	4	5	6	7	8
SITAPUR DISTRICT									
A. Existing									
1.	District Co-operative Bank (Head Office & 12 branches)	1		4	5	41	33	22	101
2.	SLDB (4 branches)	4		—	4	10	12	4	30
Total..		5	—	4	9	51	45	26	131
B. Proposed									
1.	Head office	1	1	6	8	—	12	10	30
2.	Branches	12	—	12	24	48	36	24	132
Total..		13	1	18	32	48	48	34	162

(Contd.)

STATEMENT 13 (Contd.)
EXISTING AND PROPOSED STAFFING PATTERN

					Field staff	Clerical	Peons, etc.	Grand Total					
MANAGERIAL													
					General	Technical	Others	Total					
					1	2	3	4	5	6	7	8	
MUZAFFARNAGAR DISTRICT													
A. Existing													
1. District Co-operative Bank (Head office & 19 branches)					3	—	20	23	N.A.	79	50	152	
2. SLDB (4 branches)					4	—	—	4	14	13	5	36	
Total ..					7	—	20	27	14	92	55	188	
B. Proposed													
1. Head office					1	1	6	8	—	12	10	30	
2. Branches					19	—	19	38	76	57	38	209	
Total ..					20	1	25	46	76	69	48	239	

STATEMENT 14

EXISTING SCALES OF PAY OF CCB/SLDB STAFF

Category of staff	Scales of pay Rs	Total emoluments as on 30-6-75		
		Minimum Rs	Maximum Rs	
A. Central Co-operative Banks				
1. Secretary (Group I)	400-1000	1015.00	1675.00	
2. Executive Officer (Group II)	300-750	850.00	1400.00	
3. Branch Manager (Group III)	250-600	712.00	1235.00	
4. Assistant Accountant/Incharge of branches (Group IV)	200-450	588.00	1070.00	
5. Head Cashier/Typist/Assistant	120-350	357.00	980.00	
6. Class IV	80-130	264.00	306.50	
B. SLDB Branches				
1. Branch Manager/Internal Auditor/Legal Assistant	350-700	514.50	1050.00	
2. Field Officer	300-580	458.00	774.40	
3. Accountant	280-450	434.40	607.50	
4. Kisan Sewak/Assistant Accountant	230-280	378.90	547.40	
5. Class IV	175-250	316.75	401.50	

STATEMENT 15

PROJECTED STAFFING PATTERN, EMOLUMENTS AND TOTAL COST OF INTEGRATED DISTRICT INSTITUTIONS IN THE SELECTED DISTRICTS

Sl. No.	Category	Range of total emoluments Rs	Average monthly total emoluments Rs	STRENGTH OF STAFF			TOTAL MONTHLY EMOLUMENTS		
				Ghazipur district	Sitapur district	Muzaffar-nagar district	Ghazipur district Rs	Sitapur district Rs	Muzaffar-nagar district Rs
1	2	3	4	5	6	7	8	9	10
I. HEAD OFFICE									
	Managerial								
	(i) Secretary	1000-1600	1300	1	1	1	1300	1300	1300
	(ii) Assistant Secretary, Chief Acctt., Executive Officer, Law Officer	900-1300	1000	7	7	7	7000	7000	7000
	Clerical								
	Assistant Acctt., Clerks, Typists, Cashiers, etc...	400-800	600	10	12	12	6000	7200	7200
	Class IV								
	Peons, drivers, guards, etc.	300-500	400	8	10	10	3200	4000	5000
II. BRANCHES									
	Managerial								
	(i) Branch Manager	700-1200	950	11	12	19	10450	11400	18050
	(ii) Accountants	600-1000	800	11	12	19	8800	9600	15200
	Field Staff								
	(i) Field Officer	600-1000	800	11	12	19	8800	9600	15200
	(ii) Field Assistants/Supervisors	400-800	600	33	36	57	19800	21600	34200
	Clerical								
	(i) Cashiers, typists, clerks	400-800	600	33	36	57	19800	21600	34200
	Class IV								
	(i) Peons, guards	300-500	400	22	24	38	8800	9600	15200
Total expenditure per month							93950	102900	151550
Total expenditure per annum							1127400	1234800	1818600

REPORT OF THE STUDY GROUP
GUJARAT

CHAPTER 1

INTRODUCTION

Composition of the Study Group

1.1 The Study Group was constituted with the following members:

1. Shri C. C. J. D'Souza Director Agricultural Refinance and Development Corporation Ahmedabad	Convener
2. Shri P. V. Bhatt, Registrar of Co-operative Societies Gujarat Ahmedabad	Member
3. Dr M. R. Kotdawala Deputy Chief Officer Agricultural Credit Department Reserve Bank of India Ahmedabad	Member
4. Shri E. G. Noronha Deputy Chief Officer Department of Banking Operations and Development Reserve Bank of India Ahmedabad	Member
5. Shri C. C. Mehta Manager Gujarat State Co-operative Bank Ahmedabad	Member
6. Shri M. K. Jivani Manager Gujarat State Co-operative Land Development Bank Ahmedabad	Member
7. Shri S. G. V. Ramanan Member-Secretary of the Committee and Director Agricultural Refinance & Development Corporation Bombay	Co-ordinating- Member

Selection of Districts

1.2 The Group arranged for studies to be conducted in two districts, viz., Sabarkantha and Bhavnagar. The former was selected as it had predominantly cash crops and the latter because it had food crops. These districts also displayed certain contrasts in cropping pattern, groundwater, agro-climatic factors and strength of co-operative institutions.

Field Studies

1.3 It was decided to conduct special studies in two branches each of the SLDB in Sabarkantha and Bhavnagar districts and five PACS each in the areas of operation of the selected branches. At the same time, studies were also programmed to cover five PACS in each of the two selected districts to ascertain the success in financing ST agricultural operations and determining, to the extent feasible, the potential for LT investment credit.

Meeting. of the Group

1.4 The Group held six meetings in all as under:

Informal meeting with the	
Co-ordinating-Member :	24 November 1975
Group Meetings :	5 December 1975
	26 December 1975
	16 February 1976
	17 April 1976
	14 June 1976

The report was finalised and signed at the meeting held on 14 June 1976.

Acknowledgments

1.5 The Group is grateful to (1) Shri P. H. Shah, Joint Registrar of Co-operative Societies, (2) Shri M. M. Vyas, Joint Manager, SCB, (3) Sarvashri V. J. Gandhi, Deputy Manager, F. M. Mandelia and R. C. Baxi, Officers of the SLDB, (4) Sarvashri V. S. Dabholkar and V. V. Baradharajan, Assistant Chief Officers, ACD, (5) Shri V. T. Gadhia, Deputy Director and Smt. S. M. Naidu, Junior Analyst of the ARDC and (6) Sarvashri Radhey Shyam and T. M. Narayanan, Officers of DBOD for the valuable assistance and participation in the deliberations. The Group would like to thank Shri R. C. Gupta, Senior Analyst, ARDC and Shri J. P. Dubey, Rural Credit Officer, ACD for

conducting the field studies of the SLDB branches and Sarvashri J. M. Oza and G. K. Desai, Officers of the SCB for carrying out investigations of the selected primaries. The staff of the LDB, SCB, ACD, DBOD and ARDC responded willingly to the demands made on them for tabulating data, preparation of statistical information and attending to secretarial work, and for all the enthusiastic assistance and co-operation, the Group is sincerely thankful.

1.6 Members of the Group would like to place on record their appreciation for the services rendered by the Convener, Shri C. C. J. D'Souza in planning, co-ordinating and completing the assignment entrusted to the Group in good time and for the valuable suggestions made by him in the deliberations of the Group on different aspects of the study. But for the hard and patient work put in by him, it would have been difficult for the Group to do justice to the task entrusted to it.

Dissenting Note

1.7 The members of the Study Group have been able on the whole to reconcile differences and modify opinions as a result of opportunities provided for conscientious objections and detailed discussions on various issues involved in integration dealt with in this report, except for Shri M. K. Jivani who, owing to conscientious objections, has found it fit to present a dissenting note.

1.8 Shri P. V. Bhatt, Registrar of Co-operative Societies also signed the Report later subject to his note dated 30 June 1976. The notes are appended to the Report.¹

CHAPTERS 2 AND 3

In Chapters 2 and 3, the Group had given a bird's eye-view of Gujarat State and descriptive account of the credit structure in the state as a whole, which have not been reproduced here since these aspects are to a large extent covered in the state-wise notes. Please also see Statements 1 to 4.

¹Shri Bhatt's note was received late and hence could not be referred to in Chapter 4 of the Report.

CHAPTER 4

CREDIT POTENTIAL

Short-term Credit Requirements

4.1 We have attempted a computation of the requirements of credit for seasonal agricultural operations to evaluate the potential and the performance of the credit structure. (Please see Table below.)

TABLE 1

Type of crop	Extent cultivated (lakh ha)	Credit required per ha (Rs.)	Total credit (Rs. lakhs)
1	2	3	4
Irrigated			
Cereals	1.86	500	930.00
Pulses	0.03	375	11.25
Horticulture ..	0.25	375	93.75
Vegetables	0.22	1000	220.00
Spices	0.87	750	652.50
Oilseeds	0.62	500	310.00
Drugs and Narcotics	0.34	750	255.00
Non-food	0.36	500	180.00
Sugarcane	0.33	3000	990.00
Cotton	2.59	3000	7770.00
			11412.50
Unirrigated			
Cereals	41.59	250	10397.50
Pulses	3.05	150	457.50
Horticulture ..	0.18	150	27.00
Vegetables	0.06	150	9.00
Spices	0.08	375	30.00
Oilseeds	18.10	250	4525.00
Sugarcane	0.01	1500	15.00
Drugs and Narcotics	0.52	350	182.00
Cotton	15.03	1000	15030.00
Non-food	4.39	250	10885.00
Total unirrigated			41558.00
Total irrigated			11412.50
Grand total			52970.50

Note: The types of crops and cultivated area are based on the findings of the Agricultural Census of 1971 while the credit required is on the basis of costs of cultivation of relative crops worked out by the SLDB for the repeater project.

Co-operative Coverage

4.2 The coverage of households by co-operatives is approximately 50 per cent and indebted members are roughly 50 per cent of the total membership, on which basis the credit requirements work out to Rs 132.43 crores (25 per cent of Rs 529.71 crores) at the highest.

Performance

4.3 As on 30 June 1974 the PACS had outstanding finance of Rs 113.07 crores under ST loans and had issued Rs 105.13 crores in the year 1973-4 as loans for agricultural purposes.

Saturation of Credit

4.4 The overdues under ST loans amounted to as much as Rs 31.48 crores as on 30 June 1974 which partly explains stagnation of credit flow from co-operatives to agriculturists. Another reason appears to be the emergence of the commercial banks as a force to be reckoned with. As on 31 March 1975 the outstandings from this agency under direct finance for agriculture were Rs 40.94 crores. The expansion of commercial banks and now the RRB may retard the membership growth of co-operatives. However, as things are, with better recovery performance there could be improvement in loan offtake. Even so, it can perhaps be said that the co-operative credit structure in the state has reached near saturation point as regards demand for seasonal agricultural operations so that any further expansion may have to wait for extension of irrigation facilities, enlarged membership and better recoveries.

Irrigation Potential

4.5 The ultimate irrigation potential is stated to be around 21 per cent of the operational holdings which stood at 99.99 lakh ha according to 1971 Agricultural Census. We may assume that ultimately an area of approximately 21 lakh ha will receive irrigation as against 10.93 lakh ha at present. This gives scope for investments in minor irrigation to cover another 10 lakh ha or so. With an average cost of Rs 1000 per acre for energisation of wells, an investment potential exists for Rs 250 crores. This investment may take place in about 10 to 15 years and the annual financial requirements may be conservatively placed around Rs 20 crores for investment purposes.

Tubewells Programme

4.6 The Gujarat Water Resources Development Corporation has an ambitious plan for drilling 3,200 deep tubewells in the coming four to six years at an estimated financial outlay of approximately Rs 48 crores.

Ravine Reclamation

4.7 There are immense possibilities for ravine reclamation, the area required to be reclaimed being around 1,20,000 ha. This is a long-term plan but a project prepared by the Department of Agriculture for reclaiming 20,000 ha places the financial estimates at around Rs 12 crores over a four-year period which means that the potential exists for an annual investment rate of Rs 3 crores for the next 24 years.

Diversified Outlets

4.8 Outlets for financial investment do exist in the fields of energisation of wells (Rs 2 crores), dairy (Rs 2 crores), poultry (Rs 0.50 crore), marine and inland fisheries (Rs 1 crore), farm mechanisation (Rs 1 crore), land levelling and soil conservation schemes (Rs 2 crores) and may call for an annual investment plan of Rs 8 crores. It can perhaps be forecast that over the next five years financial outlays required from the banking sector, with co-operatives sharing at least 50 per cent of this business, may be around Rs 37 crores to be followed in the subsequent five years with investments around Rs 31 crores and from the 11th year to the 24th year about Rs 11 crores.

Finance for Assets Replacement

4.9 The above estimate is for new development loans, but the scope for the development which may be termed as 'finance for assets replacement' seems inexhaustible. This theory is built on the assumption that the development assets acquired by cultivators must sooner or later reach the end of their useful life and require replacement. The business that is likely to be generated in these fields can be worked out as in Table 2.

4.10 Excluding milch animals, the annual potential for replacement investment should be approximately Rs 2953 lakhs. If 25 per cent of this amount is deducted as margin money, the loan requirements would be around Rs 2531 lakhs and with co-operatives taking their share as 33 1/3 per cent, an annual outlay of Rs 844 lakhs could be reached.

TABLE 2

Purpose	Existing number	Life for renewal (years)	Unit cost (Rs)	Number of units per year	Annual investment (Rs lakhs)	Remarks
1. Wells ..	616000	20	2000	30800	61.60	For deepening or repairs
2. Pumpsets (electrical)	100000	10	4000	10000	400.00	
3. Oil engines ..	260000	10	4000	26000	1040.00	
4. Tubewells	1300	20	50000	65	33.00	
5. Fishing boats ..	5308	20	20000	280	56.00	Average cost of sailing boats and with out-board motor
6. Mechanised trawlers	1393	20	200000	70	140.00	Engines require replacement every 10 years
7. Marine engines	1393	10	100000	139	139.00	
8. Tractors ..	12644	7	60000	1806	1083.36	Heavy wear and tear due to custom service or other uses
Sub-total					2952.96	
9. Milch animals	1.59 (lakhs)		1000	159000	1590.00	} Only 3 year old not calved taken into account
10. Buffaloes	1.91 ,,		1500	191000	2865.00	
Sub-total					4455.00	
Grand total					7268.96	

4.11 In the case of milch animals, it is difficult to assess the credit requirements as the calves are reared in the homestead and for this the agricultural economy in the state has been relying more on self-financing. A large number, however, find their way into the market. An impetus has been given to these sales with the entry of commercial banks and recently the SLDB and there has been a steady growth of finance for purchase of milch animals. The prospects are widening and with the expansion of dairying in new districts and with larger outlets being created for milk and milk products under 'Operation Flood' programme, we see no reason why a larger demand for loans should not arise. If we assume that 25 per cent of the livestock will be changing hands every year and co-operatives can get again 33 1/3 per cent as their share of this potential, we may place the annual investment required for milch animals at around Rs 371 lakhs.

Business Projections

4.12 We feel that this projection of demand is realistic. It can be achieved only if there is better organisation for timely identification of beneficiaries and an extension drive is launched to tap the potential. We, therefore, conclude that the SLDB, properly geared for the task and without facing any pressure of competition, can look forward to an annual investment plan of Rs 1215 lakhs (Rs 844 + Rs 371 lakhs). The volume of finance required for this purpose can be expected to be higher by at least another 50 per cent when the development programme outlined above is over and the level of LT loaning may stabilize around Rs 1822 lakhs annually. This will mean that the level of outstanding loans of the SLDB, on an average loan repayment period of 8 years for hard assets and 4 years for milch animals, could be above Rs 7087 lakhs even beyond the 24th year from now.

SLDB's Future

4.13 We are convinced by these calculations that the SLDB can never suffer for want of investment opportunities and if at all its integration with the ST wing is to be contemplated, it must necessarily be on other considerations. The assured annual business of the SLDB may be worked out as under:

TABLE 3

			Rs Lakhs		
			New development	Finance for replacement	Total
1976-7	through	1981-2	18.50	12.15	30.65
1982-3	„	1987-92 ..	15.50	18.22	33.72
1992-3	„	2006-2007 ..	5.50	18.22	23.72
2007-08	onwards	.. .. .	—	18.22	18.22

With this order of business the viability of the SLDB or for that matter of the integrated structure at any and all levels can undoubtedly be established and no further elaboration of the aspect of viability is, therefore, being presented.

CHAPTER 5

LEGAL PROBLEMS

5.1 We approach the consideration of legal problems fully aware that there can be no immediate finality on the issues. The problems to which attention is being drawn in this Chapter appear to us of sufficient importance and more likely than not to arise in the process of integration envisaged at different levels and varying situations.

5.2 In the existing conditions, individuals who seek LT loans have to become members of the SLDB. With integration these members will become members of primaries and their share capital, deposits and loans and other liabilities will have to be transferred to the PACS. This will attract the provisions of Section 17 of the Gujarat Co-operative Societies Act, 1961.

5.3 A draft scheme as contemplated in Rule 9 of the Gujarat Co-operative Societies Rules, 1965, will have to be drawn up and action taken as laid down under the Act and Rules.

5.4 All members who have claims, creditors and other interested persons will be required to exercise their option of withdrawing their investments, since the SLDB obtains financial accommodation from the SCB, the commercial banks and the central co-operative banks, the ARDC and the RBI. The notice of resolution for transfer of assets and liabilities passed by the special general meeting will have to be issued to all the interested persons/institutions and their consent obtained.

5.5 The changes in the ownership of assets and liabilities of the SLDB will require the special approval of the Trustee.

5.6 Primary societies will have to agree to take over LT loan business. This would mean enlargement of their objects. The Registrar's power to direct amendment of bye-laws under Section 14(1) does not cover amendments to name or objects of a society. It may be necessary to amend the Act suitably to extend the power of the Registrar to direct amendment of bye-laws relating to primaries.

5.7 Chapter XI of the Act comprising Sections 116 to 145 applies to land development banks advancing loans, other than ST loans. If primaries are to be entrusted with advancing of loans for purposes which SLDB is authorised to give, the Act will have to be amended so as to enable the ST wing to advance LT loans.

5.8 The provision of Chapter XI of the Act would have to be extended to the PACS, the CCB and the SCB as they constitute together a federal structure.

5.9 A mortgage executed in favour of an SLDB shall have priority over any claim of government arising from a loan granted after execution of the mortgage under the Land Improvement Loans Act, 1883 or the Agricultural Loans Act, 1884 or any other law for the time being in force [Section 122(1)]. Extension of the provisions of this Section to the ST wing may confer protection on primaries and the entire ST wing which could be applied to recover ST loans. The protection would be essential to primaries for giving LT loans but the question of circumscribing the power to prevent taking unintended or undue advantage requires special consideration.

5.10 Section 22 of the Act provides for admission of a firm or company in a society subject to such terms and conditions as may be laid down by general or special order. Whether this provision can include institutions or public bodies is doubtful, although a firm, company or association or a society registered under the Societies Registration Act, 1860, can be admitted as members.

5.11 Section 24 provides for open membership. Though any person can be refused admission, the aggrieved person can appeal to the Registrar whose decision in the matter shall be final and it can be construed that the Registrar has authority by his decision to confer membership on any person desirous of being admitted as member.

5.12 The legal problems referred to above are only some of the issues which are likely to arise immediately. Many other complexities could be expected to develop depending upon the levels at which integration is brought about. For example, the SLDB in its truncated form cannot claim to act as an apex body parallel to the SCB. Another important issue is that primaries will have to assume responsibilities of an altogether onerous nature. To bring about these changes, the bye-laws of

the primaries will have to be considerably amended. This will have to be studied very carefully allowing time for crystallising various aspects of integration. Meanwhile, adoption of bye-laws having transitory application to be later translated into more permanent enactments may have to be considered.

CHAPTER 6

FINDINGS OF SPECIAL STUDIES

6.1 In accordance with the guidelines, studies were conducted in the selected districts of Bhavnagar and Sabarkantha in each of which two branches of the SLDB and five PACS were visited.

Bhavnagar District

6.2 The SLDB had 12 branches in the district as against 25 of the CCB. The demand for loans was mostly for wells. Generally, the wells went dry by December-January and only kharif cultivation was practised. Small farmers were not keen on investing in wells because of uncertainty of adequate supply of water. The borrowers were satisfied with the service offered by the SLDB and CCB. Supervision by the SLDB was quite infrequent as observed by one of our officers who reported that the officials visited the field on an average for 3 days in a month in Bhavnagar taluka, whereas in Gadhada the average time spent out per month was 7.5 days.

Sabarkantha District

6.3 The SLDB had 10 branches as against 50 of the CCB. The paid-up capital collected by the SLDB branches amounted to Rs. 95.21 lakhs as on 30 June 1975, the number of indebted members being 88,299 with outstandings at Rs 881.43 lakhs. The Idar branch visited by our investigating officer was a viable unit with loan outstandings at Rs 142.35 lakhs while the Vijayanagar branch had poor business

at Rs 19.36 lakhs. Our investigating officer had observed that there was no prompt verification of utilization of loans and in many instances final verification was not done at all. There were large discrepancies in the measurements of wells as recorded in the case file and submitted by branch officials in their tour diaries but these were neither reconciled nor investigated.

Visits to the PACS — Bhavnagar

6.4 The following findings are based on the observations of the officers who conducted studies of the PACS. Information collected in the two talukas was as in Table 4.

Mutual Support between ST and LT Wings

6.5 It will be seen that out of 1,215 persons who had borrowed from the PACS only 394 had also availed themselves of LT finance from the SLDB. At the same time, there were 211 cultivators who had borrowed from the SLDB but had not obtained finance from the PACS. This finding can be said to be significant in many ways, e.g., (i) LT finance was not sought by a large number of borrowers of the PACS as they might have met their development needs in earlier years or as in the case of small farmers, could not afford large investments; (ii) out of 2,269 cultivating families in these villages, 1,215 persons had borrowed from the PACS, 394 from both ST and LT wings and 211 only from the SLDB; in all, 1,433 persons or 63.2 per cent had borrowed from one or the other of the sources open to them, including commercial banks.

Water Resources

6.6 The findings also showed that a large number of wells in these villages had failed indicating that prospects of further development of minor irrigation based on groundwater resources were altogether limited and not dependable.

Co-operative Organisation

6.7 There were 564 PACS in Bhavnagar district. According to the criterion of outstanding loan business as on 30 June 1974, the position was as in Table 5, on page 202.

TABLE 4

Name of village	Area under cultivation (acres)	Population	Number of cultivating families	Number of persons who had borrowed from PACS	Number of persons who had borrowed from LDB	Number of persons who had borrowed from both PACS & LDB	Number of persons who had borrowed from commercial banks
(a) Bhavnagar taluka							
(1) Kabdi*	980	1242	228	80	49	33	N.A.
(2) Bhandariya	4538	3557	389	64	40	26	N.A.
(3) Sartanpur	1457	1060	142	96	39	33	N.A.
(4) Budhel	2576	3120	400	148	46	25	N.A.
(5) Sodvadra	2042	1236	121	66	73	43	N.A.
(b) Gadhada taluka							
(1) Malpara*	1118	970	74	80	49	44	N.A.
(2) Ningala	5005	2903	322	170	96	53	N.A.
(3) Raliyana*	2200	961	118	139	43	32	7
(4) Manavadhar	4217	2080	215	154	67	41	N.A.
(5) Ugamedi	3768	3082	260	218	103	64	N.A.
			2269	1215	605	394	

*Villages visited during the study.

TABLE 5

Number of societies with outstandings below	Rs 50,000	91
—do— from	Rs 50,000 to 1 lakh	106
—do— „	Rs 1 lakh to 1.5 lakhs	107
—do— „	Rs 1.5 lakhs to 2 lakhs	80
—do— „	Rs 2 lakhs to 5 lakhs	165
—do— above	Rs 5 lakhs	15
		564

Visit to the PACS — Sabarkantha

6.8 In the two talukas of Idar and Vijayanagar, the study of 10 PACS disclosed that out of 1558 borrowing members, 648 had availed of LT loans from the SLDB while 387 cultivators had obtained finance from both the SLDB and the PACS and there were at least 261 loanees who had availed of credit only for LT investments. At the same time the PACS had 910 borrowers who had not approached the SLDB. The cultivator-wise coverage showed that in Idar taluka out of 27,597 cultivating families 7640 families were indebted to SLDB and in Vijayanagar taluka out of 6418 cultivating families only 1412 were borrowers of the SLDB. Details are given in Table 6.

TABLE 6

					Rs Lakhs
Name of society	Number of borrowing members	Loans advanced in 1974-5	Particulars of those borrowing also from SLDB		No. of cultivators borrowing only from SLDB
			Number	Amount	
Idar taluka					
Netrumali ..	182	11.93	33	1.63	93
Ratanpur ..	155	5.41	55	0.53	80
Bhutia ..	135	4.52	46	0.76	58
Haltharwa ..	214	5.98	42	0.97	37
Chandasana ..	76	2.83	12	0.20	25
	762		188		293
Vijayanagar taluka					
Adarsamba ..	216	1.59	78	1.83	93
Kanadar ..	157	0.65	29	0.54	71
Itavadi ..	156	0.90	36	0.57	50
Sarsav ..	139	0.30	35	0.65	92
Vanohola ..	128	0.23	21	0.51	49
	796		199		355

Supplementary Study

6.9 To supplement the above information, five societies in each of the two districts covered by the study were selected at random with a view to (a) ascertaining how far co-operatives had succeeded in financing the requirements of short-term agricultural operations, (b) to assess the potential for long-term development in the areas covered by the societies and (c) to find out to what extent the taking over of the function of long-term business would help these societies in becoming viable or in extending better services. A proforma was devised for the purpose of collecting the information and certain very significant details obtained during the study have been tabulated as in Table 7, on page 204.

6.10 The societies in Sabarkantha district had a preponderance of small farmers. The coverage of co-operatives was fairly high being over 60 per cent. There was no electricity in Itavadi and in 5 out of 7 villages covered by Dadhwa PACS. Hardly 20 per cent of the members borrowing from the PACS had borrowed also for long-term investments and these were apparently doing better as judged from their repayment performance under the SLDB loans.

6.11 The societies in Bhavnagar district showed a large number of borrowing members in the PACS and except in Nari society a very large number of borrowers had availed of loans from the SLDB also. All the villages were electrified but the findings were that most of the wells were non-energised. This could not be understood as the SLDB finance had been utilized largely for acquiring oil engines. The proportion of overdues of the SLDB loans was considerably higher than the overdues in the PACS, showing that probably development loans had not improved the financial position of borrowers.

CHAPTER 7

ADVANTAGES AND DISADVANTAGES OF INTEGRATION

Review of Study

7.1 Our study of the PACS shows that there are three groups of borrowers, viz., (i) those that borrow only from the PACS, (ii) those

TABLE 7

Rs Lakhs

Society				Number of members	Number borrowing	Loans out-standing	Overdues	Number borrowing from SLDB			Remarks
			No.					Amount	Overdues		
Sabarkantha											
Itavadi				315	165	1.20	0.22	34	0.61	0.04	133 wells, 1 tractor, 117 wells without pumpsets.
Mudeti		..		190	89	3.44	0.07	15	0.78	—	Only 2 wells without pumpsets out of 159.
Hatharwa				299	233	4.25	0.49	30	0.97	0.02	22 out of 169 wells without pumpsets.
Choriwad				433	246	4.78	0.07	25	0.85	—	16 out of 179 wells without pumpsets.
Dadhwav				328	137	1.07	0.37	23	0.42	0.04	168 out of 197 wells without pumpsets.
Bhavnagar											
Dhasa		..	..	222	194	7.00	0.29	63	2.31	0.56	197 wells out of 200 without pumpsets. Wells mostly dry.
Malpara		..		91	89	5.88	0.08	45	1.89	0.34	60 out of 175 wells without pumpsets. Scarcity of water.
Nari		..	..	160	71	0.96	0.27	6	0.12	0.03	115 out of 225 wells without pumpsets.
Kobadi		..	..	135	104	3.00	0.02	29	0.79	0.08	All 176 wells without pumpsets.
Devvana		..	..	299	269	6.86	0.37	103	2.89	0.55	36 wells out of 250 without pumpsets. No water.

that borrow only from the SLDB, and (iii) those that borrow both from the PACS and the SLDB. The studies in Sabarkantha district showed that a fewer number of members of the PACS borrowed from the SLDB and the comparative repayment performance was better in the SLDB than in the PACS, whereas in Bhavnagar a large number had borrowed from both sources and the recovery performance as judged from overdues was worse in the SLDB than in the PACS. From the point of view of credit requirements, it would appear that the ST wing had reached the saturation point and LT investment potential was quite substantial for at least another quarter century. What is re-assuring is that finance for replacement of assets would stabilize at around Rs 7087 lakhs in outstandings in later years to provide permanent outlets for the SLDB.

Survival of the SLDB

7.2 Under these circumstances, the SLDB could have been allowed to fight out its own battle of survival. The Registrar of Co-operative Societies has pointedly observed that a large number of PACS will not be in a position to deliver the goods. Further, in his opinion integration is likely to impair the financial position of Kutch, Panchamahals, Jamnagar and Banaskantha CCB which are comparatively weak as they are and the burden of taking over overdues and losses from the SLDB may further weaken their position.

Unitary Structure of the SLDB

7.3 Another important aspect to be taken into consideration while deciding the question of integration at the intermediate and primary levels is that in the unitary structure of the SLDB there can be really no entity without its branches and it might be more desirable to attempt a total integration than sever the structure at the field level and reduce the organisation to a head without the body.

7.4 With the above considerations before us, we now propose to deal with the various issues that are likely to arise when integration takes place.

Management

7.5 If the work is taken over at the village level by the PACS and the CCB at the district level and if all loan applications where scrutiny

and documentation would also be attended to at the district level, there would appear to be no special advantage in having a separate board to continue to deal with the management of the SLDB. It is suggested that at the state level there may be a common board for the SCB and the SLDB.

Organization

7.6 Besides the head office in Ahmedabad, the SLDB has also a regional office in Rajkot which is controlled more directly by a senior manager. The Rajkot office is the central accounting office of the SLDB which controls the receipt of share capital, the accounting part of the entire loan portfolio and the so-called banking functions which relate to issue of interest warrants and debentures and payment of dividend on share capital. These functions may be centralized at Ahmedabad. Branch-wise, the SLDB had 182 centres whereas the CCB had 575 branches as on 30 June 1975. It may not be found worthwhile to have two branches in taluka headquarters and closure of some of the branch offices of the SLDB may arise.

Capital

7.7 The accounts regarding the share subscriptions by the borrowing members are at present handled by the taluka branches of the SLDB which show the amount of share capital in each taluka in the branch accounts. The share capital is at present received at the rate of 5 per cent of the borrowings. With the taking over of loan accounts by primary societies the share capital of borrowing members of the SLDB will have to be transferred to the primaries. This will enable the primaries to subscribe to the share capital of the CCB. It is suggested that the primaries may retain a proportion equal to 1 per cent of members' borrowings and invest the balance of 4 per cent in the CCB. The CCB in turn may retain 3 per cent and subscribe the equivalent of 1 per cent of borrowing in the share capital of the SLDB. In regard to non-borrowing members of the SLDB, provision for refund of share capital will have to be made.

Debentures

7.8 The reconstituted office of the SLDB in Ahmedabad may continue to arrange for issue of debentures against the mortgages collected by

the CCB. Particular procedure will have to be laid down with the approval of the Trustee for issue of debentures against the mortgages so collected with the necessary amendments to the Act and the by-laws of the CCB.

Recoveries

7.9 The CCB will have to take full responsibility for the recovery of loans given for long-term purposes and regularly remitting the recoveries to the SLDB. This will enable the SLDB to meet its obligations.

Share of Margin

7.10 The primaries will have to attend to the receipt of loan applications, arrange for receipt and remittance of funds, do the accounting at the primary level, undertake supervision of the loan accounts of the borrowers, attend to recoveries and generally service the loans. For this margin of $1\frac{1}{4}$ per cent on the loan outstanding during the year in the books of the PACS may be allowed to them. The CCB will attend to the appraisal of the proposals, both technically and financially, arrange for funds, supervise the loans and effect recoveries and attend to documentation and loan servicing. As such, a margin of $1\frac{1}{2}$ per cent may be retained by them. The balance of margin available to the SLDB on loans will be $\frac{3}{4}$ per cent. In addition, it will receive income on reserves and funds not allocated and transferred to the CCB. This income should be more than adequate to meet management and other expenses and leave surpluses to meet eventualities.

Technical Department

7.11 A well-organized technical department may be maintained by the SLDB in Ahmedabad so that complete standardization of design, cost of investment and technical guidance may be made available to the CCB. The CCB may find the need to maintain a technical cell with qualified staff depending on the volume and complexity of the type of development finance undertaken in the district to guide the primaries in all technical matters. However, where diversification of loans is involved, the SLDB may be required to appoint well-qualified staff to attend to such programmes as animal husbandry and dairy, fisheries, poultry farming and agricultural engineering instead of burdening each district bank with heavy cost of maintaining independent staff. It is also suggested that a certain percentage of the loan sanctioned by the SLDB

may be levied as a once-for-all charge to meet the cost of the technical servicing which will be payable by the borrowers.

Supervision and Control

7.12 The SLDB will exercise overall supervision and control on the investments in long-term business, approve designs and calculations, stipulate special terms and conditions and exercise periodical checks on the utilization of loans to satisfy itself that the field operations are carried out according to sound long-term banking practices. The terms and conditions of lending will generally conform to those laid down by the SLDB for each specific scheme. The CCB will gradually train their staff for appraisal work and for follow-up studies so that in course of time they would be able to handle this responsibility with efficiency and speed.

Allocation of Recoveries

7.13 The CCB will be assuming a very heavy responsibility in regard to the recoveries not only of current demand but also of overdue demand. As it is, the SLDB has a very large overdue demand and special efforts with extra staff will be required to step up recoveries. This will be possible by the transfer of the entire category of staff of supervisors from the SLDB to the CCB. The main difficulty that is likely to arise here is that, since a large number of borrowers of the LT loans may also have borrowed for ST purposes from the CCB concerned, the recoveries received by the CCB will have to be properly apportioned so that the rightful share of the SLDB is passed on to it. The SLDB will naturally have to satisfy itself that it is being treated fairly by the CCB in this matter as otherwise the entire programme of the SLDB in regard to debenture repayments will get jeopardised.

Staff

7.14 The SLDB has maintained a large field staff in the shape of supervisors and clerks to man its branches and attend to field work. At the district level, apart from the district office, which controls the work in the district of the various branches of the SLDB, there is also a district officer who generally is an agricultural graduate. As these members of the staff will have to be absorbed by the CCB, many problems regarding their seniority, scales of pay and allowances, qualifications, provident fund contributions, borrowings from the SLDB for

housing schemes, etc., are likely to arise. It would be necessary to appoint a committee to settle these matters in good time before the integration is contemplated so that the staff is merged with full satisfaction both on the side of the SLDB and the CCB that their interests have been adequately protected.

Training of Staff

7.15 After a lapse of some time required for settling down, the CCB may undertake special programmes for training their existing staff and those taken over from the SLDB to enable them to handle all types of loans, viz., short, medium and long-term, with a view to facilitating inter-mobility.

Improvement in Servicing

7.16 When both short and long-term loans come to be serviced by the CCB with more numerous branches, which means a larger number of supervisors in closer contact with borrowers, one can hope that there will be a better coverage of those who need finance for varied purposes. Indebtedness of a borrower will be known fully and his repaying capacity and performance judged in a more realistic manner.

Effect on Overall Efficiency

7.17 Each borrower will now be required to get in touch with only the PACS and the supervisor to prepare his loan application. Secondly, with the proximity of the CCB to each branch, the control over the supervisors could be expected to be better. But we are not sanguine about the societies being in a position to make arrangements for inputs and supplies which perhaps are best procured at the taluka/district centres. If the societies can be geared to render comprehensive service to the borrowers so that not only all their credit needs but also the inputs could be arranged by the CCB through the PACS, there could be a real service rendered to these beneficiaries. If so, one can hope that better service more efficiently rendered and better supervision more strictly applied to borrowers may ultimately result in toning up of discipline both from the financing agency's side and the borrower's side.

Overdues of the SLDB

7.18 The main problem of integration will, however, be the question of recovering the overdues of the SLDB. The demand for the year 1974-5

had reached the figure of Rs 35.84 crores, of which nearly Rs 13.44 crores represented interest overdues. This is a very ticklish problem and unless the CCB agree to take over the responsibility of collecting the overdues there cannot be real integration. The CCB will have to be given enough time to tackle the recoveries and readjust to the onerous task. We suggest that the criterion of loan eligibility standard based on overdues may be left unenforced for a period of three years. However, with the share capital subscriptions of the SLDB amounting to Rs 12 crores and other reserves available in the SLDB, it can be said that any shortfalls in recoveries would be fully backed by reserves to fall back upon. It should not, therefore, be difficult to persuade the CCB to accept this responsibility in full. However, the CCB may like to investigate each and every loan account, which could be done through their primaries to ascertain the extent of proper application of borrowed funds. It would be possible to finalise these matters regarding the taking over of overdues after this cent per cent survey is carried out which could be of course taken up on a war footing. This would also be a great opportunity to be in contact with each and every borrower so that a sense of discipline may be imparted to the banking operations in the State.

Conclusion

7.19 There are many problems to be faced if and when integration takes place. They are legal, organisational, technical, training of staff, learning of new skills, extensional, operational, integration of staff and above all adjustment to the concept of a complete range of banking services from one institution for all types of needs of individual borrowers and to the extent feasible at one contact point. With better spread of branches and the combined strength of supervisors, the supervision over borrowers would necessarily be more intensive. The income of a combined structure should be substantial enough to maintain technical wings to guide and counsel the beneficiaries. The inspection machinery of banks and follow-up of loans and checks and counter-checks may be instituted without being unduly concerned over financial surpluses. Thus, the co-operative banking structure should emerge as a stronger and unified institution comparable to a commercial bank, albeit an institution with the district boundary for its horizon of operations. With this integrated structure coming into operation, one of the major handicaps co-operatives have been suffering from as a result of unequal opportunities as compared to commercial banks for extension of business, restricted nature of term loans and comprehensiveness in coverage would disappear. This single factor by which credit co-operatives will work on equal footing with

commercial banks appears to us to be a better argument than any other for integrating the short-term and long-term wings of the co-operative credit structure.

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Ahmedabad
14 June 1976.

ANNEXURE 1

NOTE RECORDED BY SHRI P. V. BHATT, REGISTRAR OF CO-OPERATIVE SOCIETIES
GUJARAT STATE, AHMEDABAD

As recommended by the Committee on Co-operative Land Development Banks in para 18 of Chapter VII of its Report, the long-term loans should be routed by the land development banks through the farmers service societies on an agency basis. Similarly, the land development bank should utilise the services of LAMPS/PACS which are viable and which can undertake the task.

2. While routing the long-term credit through FSS/LAMPS/PACS, it has to be ensured that the rate of interest at which the ultimate borrower gets the loan should not increase.
3. The integration at the primary level, thus, should be gradual depending upon the capacity of the societies to undertake this work.
4. In 62 talukas, where groundwater resources have dwindled, the branches of the SLDB will not be able to advance loans for minor irrigation purposes. It is also difficult to diversify the activities of the bank in these areas. It would, therefore, be uneconomical to continue full-fledged branches of the bank in these areas. As a measure of economy and also as a step towards gradual integration of the two structures upto the taluka/intermediate level, the branches of the CCB should be entrusted with the functions which are carried out by the SLDB branches.
5. At the apex level, the independent existence of the SLDB should be continued. It will have to maintain technical departments and also to raise the resources. A common Board of Directors for both the SCB and the SLDB, as suggested in the Study Group Report will not serve the purpose. However, there should be no objection in having some of the Directors as common Directors on the Boards of Directors of both the banks to facilitate co-ordination.
6. Only after gaining experience of the integration, functioning of both the institutions at the taluka/intermediate level, as suggested at 4 above, the question of further integration at the intermediate and the apex levels should be considered.

Sd/- P. V. Bhatt
30-6-1976

ANNEXURE 2

NOTE RECORDED BY SHRI M. K. JIVANI, MANAGER, GUJARAT STATE
CO-OPERATIVE LAND DEVELOPMENT BANK, AHMEDABAD

In consultation with the Government of India, the Governor, Reserve Bank of India, decided to set up a Committee for studying the feasibility of merging the short-term and long-term co-operative credit institutions and a Committee under the chairmanship of Dr. R. K. Hazari, Dy. Governor of Reserve Bank of India has been set up.

2. The terms of reference *inter alia* provide for reviewing the position of the two wings of the co-operative credit structures—the three-tier credit structure with the SCB at the apex, the CCB at the intermediary and the PACS at the base level and the LDB and to examine whether the integration may be brought about simultaneously at all the levels of the two wings of the co-operative credit structures or it may be in a phased manner at different levels.

3. The Committee appointed a Study Group for Gujarat and the terms of reference are to study the ST and LT credit structure at the intermediary and primary levels. Guidelines have been issued keeping in view the presumption of integration at the intermediary and primary levels.

4. Looking to the terms of reference and guidelines of the Study Groups, it seems that the Committee has taken a decision to examine the feasibility of integration of the two wings at the intermediary and primary levels. The basis or justification for such a decision is not known. As mentioned above, the terms of reference of the Committee is to review the position of the two wings and then examine the feasibility of integration. Accordingly, the Committee was supposed to review the position of both the wings, i.e., ST and LT credit structures and thereafter examine the feasibility of integration. This implies study of these structures based on all possible permutations and combinations.

5. From the point of view of terms of reference and guidelines for the Study Group, the word integration seems to be a misnomer. This Report implies partly cutting of or removal of part of the existing structure of the LT credit and joining it or giving it to the existing ST credit structure.

6. The implication of this may lead one to think that there was something wrong with the existing LT credit structure and everything was good with the ST credit structure. The fact or reality is rather otherwise, as can be seen from the following:

(a) The PACS need to be made viable, well-managed and responsive to the needs particularly of the small and marginal farmers. The aim should be to re-organise existing societies and take them to the level of FSS as contemplated by the National Commission on Agriculture (Working Group headed by T. A. Pai).

(b) The existing PACS need be re-organised so as to make them viable and large enough to be meaningful and manageable by the competent staff. Out of 8,000 PACS in Gujarat, 3,000 societies have been running in losses. Most of the societies do not have adequate staff.

(c) The Committee on Co-operative Land Development Banks appointed by the RBI expressed its views that primary credit societies will not be in a position to provide LT loans in an effective manner (Para 30, Chapter 7).

7. Regarding CCB, they have not proved meaningful and fruitful. There are certain known weaknesses and deficiencies in their working which are briefly indicated below:

(a) CCB are managed by elected boards representing the borrowing societies. It is observed that many a time sound loaning and banking policies are relaxed which in turn are in conflict with the interest of depositors.

(b) The ultimate objective is self-reliance but, the CCB rely more on outside borrowings. In fact, outside borrowings have increased very recently.

(c) The ST finance is to be recovered from the sale proceeds of the agricultural produce. Even then, the overdues at the CFA level have increased considerably. Again, this does not give a clear picture. Book adjustments, sanction of cash credit to societies and repayment of ST loans from such credit, sanction of fresh loans to the first society, getting repayment from fresh drawals in a number of societies, temporary borrowings from money-lenders for repayment to society, etc., have also been noticed. Conversion operations during the last three years on a large scale have also taken place.

8. Regarding LT credit structure in Gujarat, the SLDB was established in 1951 as Saurashtra Central Co-operative Land Mortgage Bank and on 1-5-1960 as Gujarat State Co-operative Land Development Bank. The advances made by the Gujarat SLDB are as under:

1st Plan 1951-56	Rs 317 lakhs
2nd Plan 1956-61	Rs 994 „
3rd Plan 1961-66	Rs 2941 „
Three annual Plans 1966-69	Rs 4627 „
5th Plan 1969-74	Rs 9190 „

9. The Gujarat SLDB functions through its branches (182) and finances directly the farmers. In other words, it is a unitary structure. The Rural Credit Survey Committee (1954) recommended separate entities—legally and financially—for the SLDB and the SCB. The Rural Credit Review Committee (1969) stated that “both past experience and the nature of future responsibility clearly point to the need to keep the two sets of institutions separate as financial and administrative entity”.

10. The above facts are given with a view to emphasise the point that before arriving at any decision, the study of both the existing ST and LT credit structures should be made in greater detail and depth and thereafter search for solution for a better and suitable structure should be made. The structure is not important but, it is the objectives which are very important and keeping in view the objectives, the structure may be found. The objectives should be very clear. The conceptual picture should be clearly drawn and dimensions found out, whereafter selection of canvas and subsequently the frame should be searched for.

11. The report is based on certain presumptions and assumptions. Here again, the presumption is only with regard to the intermediate and lowest levels and that too keeping the existing ST credit structure as it is. As stated above, there are various permutations and combinations and, therefore, the presumptions and assumptions should also be made accordingly and feasibility aspect be studied thereafter.

12. It may be presumed that (this is a presumption) lowest single contact point for the borrowers may be the idea behind the suggestion for integration at the lowest level. But the following facts have been taken into consideration:

(a) LT credit is for a period of 7 to 10 years (once a while), whereas the ST loan is to be disbursed every year. Therefore, there is no point in keeping a single contact point.

(b) The revenue office and the Sub-Registrar's office wherein the records are to be searched for prior encumbrances are situated at taluka level. As such, there is no need in keeping the point lower than the taluka as far as LT credit is concerned.

(c) The materials required for the purpose of LT credit are usually available at the taluka headquarters, e.g., oil engines, electric motors, tractors, etc.; there is no advantage for the farmers if the contact point is below taluka level.

(d) There is a suggestion that the LDB may give ST loans to its borrowers.

13. Another presumption (this is also a presumption) is that of overdues of the SLDB. Herein again, the following facts are not taken into consideration:

(a) Overdues of ST structure are also very heavy (even after taking into account the Conversion).

(b) Facility of conversion is available in the case of ST credit. In fact in Gujarat a one-year loan is converted into 5-6 years loan, whereas an LT loan is 7-9 years loan and have remained as such inspite of three very bad years and natural calamities. If 7-9 years loan is converted into 12-15 years loan, there would not be overdues.

(c) It is only because of natural calamities that overdues in SLDB have mounted; otherwise the collection performance is quite satisfactory.

14. The third presumption (this is also a presumption) is that of dwindling of the business of the SLDB. This is not correct, inasmuch as the report itself mentions about the potentialities of business to a great extent which is more than sufficient for the existing SLDB structure for its sustenance.

15. It is pertinent to note here that in the case of credit project prepared by the SLDB, the ARDC insists for partnership of the commercial banks for the reason best known to them. The result is decrease in business for the SLDB.

16. It is feared an experiment like the one mentioned in the report would spoil the existing LT credit system.

17. The co-operative institutions are democratic institutions and the co-operative law provides for ascertaining the will of the general bodies before the merger takes place. The National Co-operative Land Development Banks Federation has categorically opposed the idea of integration of ST and LT credit at any level. The 7th Indian Co-operative Congress held in Delhi in February, 1976 has also opposed the idea of integration at any level. The Board of Gujarat SLDB holds the similar view. Thus, the non-officials' or democratic opinion are against the integration.

Sd/- M. K. Jivani

STATEMENT 1

GENERAL PARTICULARS OF BHAVNAGAR AND SABARKANTHA DISTRICTS IN GUJARAT

Sl. No.	Items	Bhavnagar	Sabarkantha
1.	Area in square kilometres	11,155	7,390
2.	Total population	14,05,285	11,87,637
3.	Of which, rural	9,55,671	10,83,674
4.	Number of talukas/tehsils	12	10
5.	Number of N.E.S. Blocks	Nil	—
6.	Number of centres with population exceeding 10,000	9	5
7.	Number of villages	879	1,386
8.	Area under cultivation (1974-75)	4,55,400 ha	4,77,100 ha
9.	Of which, area irrigated	68,500 „	70,600 „
10.	Area under different crops (1974-75)		
	(a) Rice	1,700 „	11,800 „
	(b) Bajri	1,22,200 „	72,300 „
	(c) Jowar	75,000 „	14,700 „
	(d) Maize	100 „	76,000 „
	(e) Wheat	19,500 „	30,600 „
	(f) Groundnut	1,37,900 „	88,100 „
	(g) Oilseeds	13,600 „	17,700 „
	(h) Cotton	78,700 „	1,32,800 „
	(i) Other crops	6,700 „	33,100 „
		4,55,400 „	4,77,100 „
11.	Size-wise distribution of holdings (Agri. Census 1970-71)	Area	Number Area
	(a) 1 ha and less	5,327	3,563 ha 43,960 23,716 ha
	(b) More than 1 ha but less than 2 ha	10,780	16,363 „ 38,595 56,730 „
	(c) More than 2 ha but less than 3 ha	10,722	26,801 „ 25,907 63,882 „
	(d) More than 3 ha but less than 4 ha	9,914	34,483 „ 16,315 56,506 „
	(e) More than 4 ha	57,782	5,55,223 „ 34,326 2,62,619 „
12.	Number of branches of commercial banks as on 30-6-1975	74	41
13.	Deposits with commercial banks (Rs lakhs)	4046.15	1135.86
14.	Advances made by commercial banks for agriculture (Rs lakhs)		
	(a) Through co-operatives (Rs lakhs)	2.90	Nil
	(b) Others (Rs lakhs)	107.62	218.54

STATEMENT 2

PARTICULARS OF THE CENTRAL CO-OPERATIVE BANKS SELECTED FOR STUDY
AS ON 30 JUNE 1975

Rs Lakhs

Sl. No.	Items	Bhavnagar district	Sabarkantha district
1.	Paid-up share capital	154.69	210.86
2.	Statutory reserve ..	21.23	22.75
3.	Other reserves and funds	45.26	54.01
4.	Deposits	450.81	942.92
5.	Borrowings	928.62	683.02
6.	Cash on hand	12.27	29.62
7.	Balances in current account with banks	39.31	32.46
8.	Call & fixed deposits	88.30	193.62
9.	Investments in government and trustee securities	27.09	38.70
10.	Other investments	14.16	19.81
11.	Loans and advances:		
	(a) Short-term agricultural	904.97	1326.68
	(b) Medium-term agricultural	528.97	315.39
	(c) Medium-term conversion		
	(d) Long-term	—	3.37
	(e) Loans to other societies	N.A.	N.A.
	(f) Loans to individuals	N.A.	N.A.
	(g) Total loans	1433.94	1645.43
12.	Buildings and other fixed assets	11.00	15.73
13.	Accumulated profit	19.98	32.35
14.	Dividend declared for the previous year	4.74	11.55
15.	Number of branches	24	43
16.	Particulars of staff:		
	(a) Manager/Secretary	1	1
	(b) Asstt. Managers/Branch Managers/Agents	13	55
	(c) Accountants and other clerical staff ..	111	189
	(d) Class IV staff	39	94
	(e) Supervisors/field inspectors	44	35
	(f) Average charge per supervisor	19	14

STATEMENT 3

PARTICULARS OF THE SELECTED BRANCHES OF STATE LAND DEVELOPMENT BANK
AS ON 30 JUNE 1975

		Rs Lakhs	
Sl. No.	Items	Bhavnagar district	Sabarkantha district
1.	Number of SLDB branches ..	12	10
2.	Number of branches of PLDB	—	—
3.	Paid-up share capital (PLDB) ..	73.65	95.21
4.	Statutory reserve (PLDB)	—	—
5.	Other reserve funds (PLDB)	—	—
6.	Deposits	—	—
7.	Borrowings from the SLDB ..	742.00	765.61
8.	Particulars of loans and advances:—		
(a)	Number of indebted members ..	82,858	88,299
(b)	Amount	788.70	881.43
(c)	Purposes		
(i)	Minor irrigation (wells, pumpsets)	N.A.	N.A.
(ii)	Land levelling, bunding, fencing, etc.		
(iii)	Orchards and plantations		
(iv)	Tractors/Power tillers		
(v)	Other productive purposes		
(vi)	Non-productive purposes		
9.	Number working at profit	—	—
10.	Amount of profit for 1974-75	—	—
11.	Number working at loss	12	10
12.	Amount of loss for 1974-75	50.15	18.60
13.	Number working at no-profit no-loss	—	—
14.	Dividend declared for 1974-75		
(a)	Number of societies	—	—
(b)	Amount	—	—
15.	Particulars of staff:—		
(a)	Managers/Secretaries	1	1
(b)	Asstt. Managers/Branch Managers/Agents	25	15
(c)	Accountants and office clerical staff	69	47
(d)	Technical staff	—	—
(e)	Class IV Staff	N.A.	N.A.
(f)	Field Officers/Supervisors	50	28

STATEMENT 4

PARTICULARS OF THE PRIMARY CREDIT SOCIETIES IN THE TWO SELECTED DISTRICTS
AS ON 30 JUNE 1975

Sl. No.	Items	Rs Lakhs	
		Bhavnagar district	Sabarkantha district
1.	Number	587	476
2.	Of which, state partnered ..	63	151
3.	Of which, having full-time paid Secretaries	471	421
4.	Total membership ('000) ..	80	106
5.	Villages covered ..	879	1386
6.	Total paid-up capital ..	240	330
7.	Of which, government share capital	5	8
8.	Statutory reserve ..	70	48
9.	Other reserves and funds	24	50
10.	Deposits	15	90
11.	Borrowings from the central bank ..	941	1210
12.	Other borrowings	5	45
13.	Investments ..	120	185
14.	Loans and advances:		
	(a) Short-term agricultural ..	805	1125
	(b) Medium-term agricultural ..	402	395
	(c) Medium-term conversion ..		
	(d) Others	—	—
	(e) Total	1207	1520
15.	Loans overdue	205	325
16.	No. working at profit	437	412
17.	Amount of profit	25	49
18.	No. working at loss ..	105	58
19.	Amount of loss	6	4
20.	No. of societies working on no-profit no-loss	45	6
21.	No. of societies declaring dividend for 1974-75 ..	N.A.	N.A.
22.	Classification of societies according to outstanding loans ..	N.A.	N.A.

STATEMENT 5

CONSOLIDATED BALANCE SHEETS AND PROFIT AND LOSS ACCOUNTS OF CENTRAL CO-OPERATIVE BANK AND BRANCHES OF GUJARAT STATE
CO-OPERATIVE LAND DEVELOPMENT BANK LIMITED IN SABARKANTHA DISTRICT AS ON 30 JUNE 1975

Rs Lakhs

	Sabar- kantha DCCB	Branches of Gujarat State Co-operative Land Development Bank Limited										Total
		Himat- nagar	Prantij	Idar	Modasa	Malpur	Bayad	Bhiloda	Khed- brahma	Vijay- nagar	Meghraj	
	1	2	3	4	5	6	7	8	9	10	11	12
LIABILITIES												
1. Share capital												
Government		22.50	0.80	0.56	0.78	0.53	0.11	0.64	0.21	0.29	0.08	26.62
Other members		188.36	18.45	12.79	17.97	12.22	2.58	14.80	4.95	6.77	1.73	283.57
TOTAL..		210.86	19.25	13.35	18.75	12.75	2.69	15.44	5.16	7.06	1.81	310.19
2. Reserves ..		76.76	4.52	3.08	4.40	2.99	0.63	3.63	1.22	1.66	0.42	100.03
3. State Partnership Fund		8.40	—	—	—	—	—	—	—	—	—	8.40
4. Borrowings												
Short-term		519.53	1.36	0.89	1.11	0.91	0.22	1.10	0.38	0.53	0.15	526.41
Medium-term		162.93	—	—	—	—	—	—	—	—	—	162.93
Long-term		0.56	217.80	142.91	178.34	145.78	35.67	175.69	61.50	84.70	24.28	1104.87
TOTAL..		683.02	219.16	143.80	179.45	146.69	35.89	176.79	61.88	85.23	24.43	1794.21

5. Deposits

Fixed	..	484.71	0.23	0.06	0.07	—	—	0.01	0.04	—	—	—	485.12
Savings	..	351.33	—	—	—	—	—	—	—	—	—	—	351.33
Current	.. ..	74.93	—	—	—	—	—	—	—	—	—	—	74.93
Call and short term..		31.95	—	—	—	—	—	—	—	—	—	—	31.95
Other deposits	.. ..	—	2.14	1.40	1.75	1.43	0.35	1.73	0.60	0.83	0.23	0.37	10.83
TOTAL..		942.92	2.37	1.46	1.82	1.43	0.35	1.74	0.64	0.83	0.23	0.37	954.16

6. Other liabilities	..	121.20	14.48	9.50	11.85	11.58	4.44	15.32	5.17	6.97	2.09	4.32	206.92
7. Profit & Loss A/c.	..	32.35	—	—	—	—	—	—	—	—	—	—	32.35
TOTAL..		2075.51	259.78	171.19	216.27	175.44	44.00	212.92	74.07	101.75	28.98	46.35	3406.26

STATEMENT 5 (Contd.)

CONSOLIDATED BALANCE SHEETS AND PROFIT AND LOSS ACCOUNTS OF CENTRAL CO-OPERATIVE BANK AND BRANCHES OF GUJARAT STATE CO-OPERATIVE LAND DEVELOPMENT BANK LIMITED, IN SABARKANTHA DISTRICT AS ON 30 JUNE 1975

													Rs Lakhs	
		Sabar- kantha DCCB	Branches of Gujarat State Co-operative Land Development Bank Limited									Total		
			Himat- nagar	Prantij	Idar	Modasa	Malpur	Bayad	Bhiloda	Khed- brahma	Vijay- nagar	Meghraj		
		1	2	3	4	5	6	7	8	9	10	11	12	
ASSETS														
1.	Cash on hand	.. ..	29.62	0.35	0.22	0.09	0.34	0.03	0.37	0.07	0.01	0.01	0.02	31.13
2.	Balances with Banks	.. ..	226.08	0.83	0.54	0.68	0.55	0.13	0.67	0.23	0.32	0.09	0.14	230.26
3.	Investments*													
	Government securities	.. ..	10.77	80.55	53.10	66.45	54.08	13.27	65.06	22.85	31.33	9.03	13.98	468.21
	Other trustee securities	.. ..	27.93											
	Other investments	.. ..	19.81											
TOTAL..			58.51	80.55	53.10	66.45	54.08	13.27	65.06	22.85	31.33	9.03	13.98	468.21
4.	State Partnership Fund..		8.40	—	—	—	—	—	—	—	—	—	—	8.40
5.	Loans and advances													
	Short-term	.. ..	1326.68	—	—	—	—	—	—	—	—	—	—	1326.68
	Medium-term	.. ..	315.39	—	—	—	—	—	—	—	—	—	—	315.39
	Long-term	.. ..	3.36	173.84	114.07	142.35	116.36	28.47	140.23	49.09	67.61	19.36	30.05	884.79
TOTAL..			1645.43	173.84	114.07	142.35	116.36	28.47	140.23	49.09	67.61	19.36	30.05	2526.86

6. Interest receivable	60.67	—	—	—	—	—	—	—	—	—	—	60.67
7. Furniture and fixtures ..	7.15	0.05	0.05	0.05	0.06	0.02	0.05	0.03	0.06	0.02	0.02	7.56
8. Land and buildings	8.58	—	0.43	—	—	—	—	—	0.66	—	—	9.67
9. Other assets	31.07	1.84	1.30	5.99	1.21	0.30	1.46	0.51	0.71	0.20	0.31	44.90
10. Profit and Loss A/c.	—	2.32	1.48	0.66	2.84	1.78	5.08	1.29	1.05	0.27	1.83	18.60
TOTAL..	2075.51	259.78	171.19	216.27	175.44	44.00	212.92	74.07	101.75	28.98	46.35	3406.26

*Break-up of investments of Branches of LDB:

General investments ..	6.06	3.98	4.96	4.06	0.99	4.89	1.71	2.36	0.67	1.05
Sinking fund „ ..	71.40	46.85	58.47	47.79	11.69	57.60	20.16	27.74	7.96	12.32
Reserve Fund „ ..	2.65	1.83	2.58	1.75	0.37	2.12	0.71	0.97	0.25	0.42
Staff Benefit Fund „ ..	0.01	0.01	0.01	—	—	—	—	—	—	—
Provident Fund Investment	0.43	0.43	0.43	0.47	0.22	0.45	0.27	0.26	0.15	0.19
TOTAL..	80.55	53.10	66.45	54.08	13.27	65.06	22.85	31.33	9.03	13.98

STATEMENT 5 (Contd.)

CONSOLIDATED BALANCE SHEETS AND PROFIT AND LOSS ACCOUNTS OF CENTRAL CO-OPERATIVE BANK AND BRANCHES OF GUJARAT STATE
CO-OPERATIVE LAND DEVELOPMENT BANK LIMITED, IN SABARKANTHA DISTRICT AS ON 30 JUNE 1975

Rs Lakhs

	Sabar- kantha DCCB	Branches of Gujarat State Co-operative Land Development Bank Ltd										Total
		Himat- nagar	Prantij	Idar	Modasa	Malpur	Bayad	Bhiloda	Khed- brahma	Vijay- nagar	Meghraj	
	1	2	3	4	5	6	7	8	9	10	11	12
INCOME												
Interest ..	324.22	13.26	9.28	11.47	7.85	0.94	7.44	3.40	4.92	1.42	0.74	384.95
Other income	5.15	0.14	0.14	0.27	0.12	0.04	0.10	0.05	0.08	0.03	0.04	6.16
Loss ..	—	2.32	1.48	0.66	2.84	1.78	5.08	1.29	1.05	0.27	1.83	18.60
TOTAL..	329.37	15.72	10.90	12.40	10.81	2.76	12.62	4.74	6.05	1.72	2.61	409.70

EXPENDITURE

Interest ..	235.66	14.78	9.70	11.52	9.89	2.31	11.72	4.12	5.49	1.42	2.23	308.84
Establishment expenses ..	30.88	0.80	1.10	0.80	0.88	0.41	0.84	0.50	0.49	0.28	0.36	37.34
Depreciation	1.43	—	—	—	—	—	—	—	—	—	—	1.43
T. A. to Directors	0.19	0.02	0.02	0.02	0.02	0.02	0.02	0.01	0.02	0.01	0.01	0.36
Provisions	26.37	—	—	—	—	—	—	—	—	—	—	26.37
Other expenses ..	2.49	0.12	0.08	0.06	0.02	0.02	0.04	0.11	0.05	0.01	0.01	3.01
Profit ..	32.35	—	—	—	—	—	—	—	—	—	—	32.35
TOTAL..	329.37	15.72	10.90	12.40	10.81	2.76	12.62	4.74	6.05	1.72	2.61	409.70

Note: The LDB credits the P & L account with interest actually recovered and hence all the branches were shown to have incurred loss during 1974-75 on account of poor recoveries.

STATE

CONSOLIDATED BALANCE SHEETS AND PROFIT AND LOSS ACCOUNTS OF CENTRAL
DEVELOPMENT BANK LTD. IN BHAVNAGAR

	Bhav- nagar DCCB	Branches of Gujarat State			
		Savar- kunda	Mahuva	Botad	Shihor
	1	2	3	4	5
LIABILITIES					
1. Share Capital					
Government	33.00	0.29	0.44	0.34	0.30
Other members ..	121.69	6.62	10.09	7.76	7.02
TOTAL	154.69	6.91	10.53	8.10	7.32
2. Reserves	66.49	1.62	2.47	1.90	1.72
3. State Partnership Fund..	5.85	—	—	—	—
4. Borrowings					
Short-term	470.88	0.51	0.85	0.71	0.56
Medium-term	457.50	—	—	—	—
Long-term	0.24	81.22	136.74	113.67	88.91
TOTAL	928.62	81.73	137.59	114.38	89.47
5. Deposits					
Fixed	301.07	0.73	0.19	0.10	0.21
Savings	97.48	—	—	—	—
Current	44.53	—	—	—	—
Call and short-term	7.73	—	—	—	—
Others ..	—	0.80	1.34	1.12	0.87
TOTAL	450.81	1.53	1.53	1.22	1.08
6. Other Liabilities ..	16.37	7.35	15.60	15.09	9.82
7. Profit & Loss A/c.	19.98	—	—	—	—
8. TOTAL	1692.81	99.14	167.72	140.69	109.41

MENT 6

CO-OPERATIVE BANK AND BRANCHES OF GUJARAT STATE CO-OPERATIVE LAND DISTRICT AS ON 30 JUNE 1975

Rs Lakhs

Co-operative Land Development Bank Ltd

Palitana	Talaja	Garia-dhar	Gadhada	Valla-bhipur	Ghogha	Umralla	Bhav-nagar	Total
6	7	8	9	10	11	12	13	14
0.29	0.35	0.17	0.41	0.13	0.16	0.18	0.15	36.21
6.75	8.10	3.83	9.42	2.95	3.60	4.09	3.42	195.34
7.04	8.45	4.00	9.83	3.08	3.76	4.27	3.57	231.55
1.65	1.99	0.94	2.30	0.72	0.88	1.00	0.84	84.52
—	—	—	—	—	—	—	—	5.85
0.57	0.71	0.32	0.81	0.22	0.33	0.31	0.27	477.05
—	—	—	—	—	—	—	—	457.50
92.14	113.13	51.56	129.01	34.66	53.15	48.95	42.73	986.11
92.71	113.84	51.88	129.82	34.88	53.48	49.26	43.00	1920.66
—	—	—	—	—	—	—	0.39	302.69
—	—	—	—	—	—	—	—	97.48
—	—	—	—	—	—	—	—	44.53
—	—	—	—	—	—	—	—	7.73
0.90	1.11	0.51	1.27	0.34	0.52	0.48	0.42	9.68
0.90	1.11	0.51	1.27	0.34	0.52	0.48	0.81	461.72
10.98	13.20	6.90	15.10	3.34	6.64	4.91	4.19	179.88
—	—	—	—	—	—	—	—	19.98
113.28	138.59	64.23	158.32	42.36	65.28	59.92	52.41	2904.16

STATE

CONSOLIDATED BALANCE SHEETS AND PROFIT AND LOSS ACCOUNTS OF CENTRAL
DEVELOPMENT BANK LTD. IN BHAVNAGAR

	Bhav- nagar DCCB	Branches of Gujarat State			
		Savar- kundla	Mahuva	Botad	Shihor
	1	2	3	4	5
ASSETS:					
1. Cash on hand ..	12.27	—	0.03	0.01	0.01
2. Balances with banks ..	127.61	0.31	0.52	0.43	0.34
3. Investments *					
Government Securities ..	—	30.25	50.73	42.16	33.20
Other Trustee Securities ..	27.09				
Other investments ..	14.16				
TOTAL:	41.25				
4. State Partnership Fund	5.85	—	—	—	—
5. Loans and advances					
Short-term	904.97	—	—	—	—
Medium-term	528.97	—	—	—	—
Long-term	—	64.98	109.39	90.94	71.13
TOTAL	1433.94	64.98	109.39	90.94	71.13
6. Interest receivable	48.98	—	—	—	—
7. Furniture and fixtures ..	3.50	0.02	0.02	0.02	0.01
8. Land and buildings	7.50	—	0.32	—	—
9. Other assets ..	11.91	—	—	—	—
10. Profit and Loss A/c. ..	—	3.58	6.71	7.23	4.72
TOTAL	1692.81	99.14	167.72	140.79	109.41

* Break-up of investment of branches of GLDB

General investments	2.26	3.81	3.17	2.48
Sinking fund investments ..	26.68	44.92	37.35	29.21
Reserve fund investments	0.95	1.45	1.11	1.01
Staff benefit fund investments ..	—	0.01	0.01	0.01
Provident fund investments	0.36	0.54	0.52	0.49
TOTAL	30.25	50.73	42.16	33.20

MENT 6 (Contd.)

CO-OPERATIVE BANK AND BRANCHES OF GUJARAT STATE CO-OPERATIVE LAND DISTRICT AS ON 30 JUNE 1975

Rs Lakhs

Co-operative Land Development Bank Ltd.								
Palitana	Talaja	Garia-dhar	Gadhada	Valla-bhipur	Ghogha	Umralla	Bhav-nagar	Total
6	7	8	9	10	11	12	13	14
0.02	0.02	0.04	0.01	—	0.05	0.01	0.01	12.48
0.35	0.43	0.20	0.49	0.13	0.20	0.19	0.16	131.36
34.24	41.95	19.30	47.86	13.08	19.77	18.35	16.09	408.23
—	—	—	—	—	—	—	—	5.85
—	—	—	—	—	—	—	—	904.97
—	—	—	—	—	—	—	—	528.97
73.71	90.51	41.24	103.21	27.73	42.52	39.16	34.18	788.70
73.71	90.51	41.24	103.21	27.73	42.52	39.16	34.18	2222.64
—	—	—	—	—	—	—	—	48.98
0.02	0.03	0.01	0.02	0.01	0.02	0.02	0.06	3.76
—	0.31	0.45	0.34	—	—	—	—	8.92
—	—	—	—	—	—	—	—	11.91
4.94	5.34	2.99	6.39	1.41	2.74	2.19	1.91	50.15
113.28	138.59	64.23	158.32	42.36	65.30	59.92	52.41	2904.28
2.57	3.16	1.44	3.60	0.97	1.48	1.37	1.19	
30.27	37.17	16.94	42.39	11.39	17.46	16.08	14.04	
0.97	1.16	0.55	1.35	0.42	0.52	0.59	0.49	
—	—	—	0.01	—	—	—	—	
0.43	0.46	0.37	0.51	0.30	0.31	0.31	0.37	
34.24	41.95	19.30	47.86	13.08	19.77	18.35	16.09	

STATE

CONSOLIDATED BALANCE SHEETS AND PROFIT AND LOSS ACCOUNTS OF CENTRAL
DEVELOPMENT BANK LTD. IN BHAVNAGAR DISTRICT

	Bhav- nagar DCCB	Branches of Gujarat State			
		Savar- kundla	Mahuva	Botad	Shihor
	1	2	3	4	5
INCOME					
Interest ..	133.66	2.47	3.49	1.30	1.59
Other income	1.17	0.06	0.07	0.06	0.06
Loss ..	—	3.58	6.71	7.23	4.72
TOTAL	134.83	6.11	10.27	8.59	6.37
EXPENDITURE					
Interest	75.34	5.41	9.22	7.58	5.42
Establishment expenses ..	19.63	0.67	1.01	0.97	0.90
Depreciation ..	1.53	—	—	—	—
T.A., etc., to Directors ..	0.31	0.02	0.02	0.02	0.02
Provisions ..	16.41	—	—	—	—
Other expenses ..	1.63	0.01	0.02	0.02	0.02
Profit ..	19.98	—	—	—	—
TOTAL	134.83	6.11	10.27	8.59	6.37

Note: The LDB credits the P & L account with interest actually recovered and hence all

MENT 6—(Contd.)

CO-OPERATIVE BANK AND BRANCHES OF GUJARAT STATE CO-OPERATIVE LAND
AS ON 30 JUNE 1975

Rs Lakhs

Co-operative Land Development Bank Ltd.								
Palitana	Talaja	Garia- dhar	Gadhada	Valla- bhipur	Ghogha	Umralla	Bhav- nagar	Total
6	7	8	9	10	11	12	13	14
1.66	3.10	0.89	3.22	1.24	1.38	1.61	1.41	157.02
0.07	0.06	0.04	0.08	0.06	0.03	0.03	0.04	1.83
4.94	5.34	2.99	6.39	1.41	2.74	2.19	1.91	50.15
6.67	8.50	3.92	9.69	2.71	4.15	3.83	3.36	209.00
5.83	7.56	3.20	8.72	2.10	3.53	3.22	2.65	139.78
0.79	0.85	0.69	0.95	0.56	0.58	0.57	0.69	28.86
—	—	—	—	—	—	—	—	1.53
0.02	0.02	0.01	0.01	0.01	0.01	0.01	0.01	0.49
—	—	—	—	—	—	—	—	16.41
0.03	0.07	0.02	0.01	0.04	0.03	0.03	0.01	1.95
—	—	—	—	—	—	—	—	19.98
6.67	8.50	3.92	9.69	2.71	4.15	3.83	3.36	209.00

the branches were shown to have incurred loss during 1974-5 on account of poor recoveries.

REPORT OF THE STUDY GROUP
MANIPUR

CHAPTER 1

INTRODUCTION

1.1 The Study Group comprised the following members :

1. Shri J. S. Bisht Deputy Director Agricultural Refinance and Development Corporation Gauhati	Convener
2. Shri K. Prongo ¹ Registrar of Co-operative Societies, Manipur Imphal	Member
3. Shri M. L. T. Fernandes Deputy Chief Officer Agricultural Credit Department Reserve Bank of India Gauhati	Member
4. Shri M. K. Shah Banking Officer Department of Banking Operations and Development Reserve Bank of India Gauhati	Member
5. Shri Y. Brajamani Singh Manager Manipur State Co-operative Bank Imphal	Member
6. Shri S. G. V. Ramanan Member-Secretary of the Committee and Director Agricultural Refinance and Development Corporation Bombay	Co-ordinating- Member

¹Shri Prongo associated himself with the first meeting on 13 January 1976 and the field studies. Shri Shankar Lal, I.A.S., Registrar of Co-operative Societies, Manipur who succeeded him was nominated by the state government to serve on the Committee and he attended the subsequent meetings.

1.2 The Group held five meetings—the first at Imphal on 13 January 1976, the second at Gauhati on 8 April 1976, the third at Imphal on 20 April 1976, the fourth to consider the draft report at Shillong on 24 and 25 May 1976 and the final one at Imphal on 6 July 1976 to sign the report. The first meeting of the Study Group was attended by Shri S. G. V. Ramanan, Member-Secretary of the Committee.

CHAPTER 2

GENERAL FEATURES

2.1 Manipur was a princely state and was merged with the Indian Union in 1949. It was elevated from the status of a union territory to a full-fledged state on 21 January 1972. It is one of the far eastern states of India, bounded by Burma on the east and south, by Assam on the west, by Nagaland on the north and by Mizoram on the south. The state is divided into six districts—one valley and five hill districts. Bordered on all sides by hills running into north-south parallel folds, Manipur has got an oval-shaped valley in the centre spreading over an area of 1876 sq.kms. The valley is also dotted with small hills. The central valley has an elevation between 2500' and 2600'. The altitude of the hills ranges upto 3000 metres. The total area of the state is about 22,356 sq.kms., of which the area covered by hills is about 20,513 sq.kms. The population of the state as per 1971 Census is 10.73 lakhs, of which the tribal population stood at 3.51 lakhs, forming about one-third of the total population. The majority of the population of about 7.01 lakhs lives in the plain areas and remaining 3.72 lakhs in the hills. The density of population was 48 persons per sq.km. in 1971. The population of the state is predominantly rural constituting 86.7 per cent of the total population in 1971. Agriculture is the mainstay of the people in the state.

2.2 There are 26 development blocks, of which 20 (co-terminous with sub-divisions) are in the five hill districts. The Central district which is a plain area has 44 Nyaya Panchayats and 224 Gram Sabhas. In hill districts there are 779 Village Authorities (in 1971).

Agricultural Situation

2.3 The total cropped area of the state is reported at 2.50 lakh ha; the area under cultivation in valley region is roughly 1.40 lakh ha, and the remaining 1.10 lakh ha are in the hills. As per the agricultural census 1970-71, the position of operational holdings in the Central district and 13 villages in North district, which are the only areas surveyed in the state, according to size of holdings, was as under :

TABLE 1

Size of holding (ha)	No. of holdings	Area (ha)
Below 0.5	9203	2558
0.5— 1.0	23474	14895
1.0— 2.0	34270	40634
2.0— 3.0	9776	22184
3.0— 4.0	2208	7029
4.0— 5.0	658	2814
5.0—10.0	316	1849
Above 10	22	378

Thus, the average size of an operational holding in the settled areas works out to 1.16 ha. The hill areas have not been surveyed so far. The average size of cultivated area remains more or less static in valley and terraced areas, but in the hills it varies widely in *jhum* cultivated areas, depending upon the cycle and area that is brought under cultivation in any particular year. It may be added here that all the farmers in hill districts have been declared as marginal farmers by the state government.

2.4 The rainfall in different parts of Manipur varies widely depending upon their location. The central valley has an average rainfall of 1472 mm. Certain areas in the western ranges receive rainfall upto 5000 mm., northern hills reach upto 2500 mm., eastern hills record between 1500 and 1800 mm., and the southern hills receive the lowest precipitation and do not cross 1500 mm. per annum. The major portion of rainfall is normally concentrated during monsoon season. On account of uneven distribution of rainfall and poor irrigation facilities, the major cultivated area in the state has remained mono-cropped. Paddy is the main food crop in the state (estimated area 1.77 lakh ha in 1974-5). In the valley areas, depending upon residual moisture, wheat, mustard, peas and vegetables are grown in certain parts as second crop although its coverage is quite insignificant. In hills also paddy is the main crop. Whereas in north and north-east, the hills have been largely terraced

for cultivation, *jhumming* is extensively practised in the southern areas. Maize is raised in hills extensively as a cash crop followed by ginger and temperate and tropical fruits like pears, orange, pineapple, etc.

2.5 Agricultural development is greatly handicapped by unfavourable factors like absence of land legislation and recorded rights in hills, transport difficulties, lack of basic infrastructural facilities, inadequacy of extension work, non-availability of irrigation facilities, inadequate supply of credit and inputs, etc. It does not appear feasible to bring about quick development in sectors other than agriculture. In addition to increase in cropping intensity of the food/commercial crops, there is vast scope for investment credit for agricultural development particularly in the fields of pisciculture and inland fisheries, minor irrigation, animal husbandry, horticulture/plantation, farm mechanisation, development of man-made forests, etc. Agricultural development largely depends upon settlement of land records, bringing fallow lands under cultivation, controlling *jhum* cultivation by motivating farmers to go in for permanent cultivation by effecting improvements through soil conservation and terraced cultivation (using such *jhum* land for horticulture plantation) by exploiting to the maximum extent, the surface flow water for irrigation, if need be, by conservation, adoption of suitable dry farming techniques and other modern methods of cultivation, resort to mixed farming methods, providing adequate infra-structural facilities in remote areas such as easy transport, extension work, availability of timely and adequate credit and inputs, etc. This will, however, necessitate basic changes in the outlook of the farmers and the policies of the state government; the existing practice of providing subsidy on easy terms should be replaced by a system of loans for self-liquidating and commercially feasible proposals.

Irrigation Facilities

2.6 As per agricultural census of 1970-71, 0.14 lakh ha of the operational holdings are irrigated wholly and 0.01 lakh ha partly. This compares unfavourably with the total reported cropped area of 2.50 lakh ha in the state. There was no large or medium irrigation scheme in the state till recently. Minor irrigation schemes so far taken up are only of the diversion type from surface flow water sources by cutting channels. In fact, irrigation for double cropping has not yet been developed. The Loktak Lift Irrigation Scheme is not likely to be completed according to revised targets and, therefore, is not likely to create an impact in the near future. Certain projects like Lilong Lift Irrigation are in progress. Results of boring experiments conducted by the

Exploratory Tubewells Organisation indicate that the chances of exploiting groundwater sources are not promising. To harness surface water for irrigation purposes, a survey was conducted by the Minor Irrigation Department in the valley areas and a number of points in the flowing rivers, viz., Imphal, Nambol, Thoubal, Iril, etc., has been identified for river lift irrigation. Similarly, in hill areas diversion of water in terraced cultivated areas is feasible and in certain parts it is already being implemented.

Major Agricultural Programmes

2.7 High-yielding varieties of paddy, wheat and maize crops were cultivated during 1975-6 in certain selected areas in 2.05 lakh ha of gross cropped area. Besides, soil conservation, horticultural research and development (including setting up of fruit processing units), and farm mechanisation programmes are also carried out from budgetary resources to a limited extent.

2.8 The other worthwhile agricultural and allied planned development programmes taken up/being taken up are as in Table 2 on page 240. Almost all of these projects/programmes are proposed to be carried out mainly from budgetary resources excepting Itok Lift Irrigation Project which is likely to be referred to a scheduled commercial bank for financing.

Co-operative Credit Structure

2.9 The short-term co-operative credit structure in the state consists of two tiers, the PACS at the base level and the SCB at the apex level. Though a CCB was registered for Churachandpur district it has not been licensed by the RBI and, therefore, has not started functioning. There is no separate institution functioning in the state for dispensing long-term loans for agricultural purposes. The bye-laws of the Manipur State Co-operative Bank also provide for the issue of long-term loans through its land development section, but it has not started lending long-term loans in the absence of statutory provisions in the Co-operative Societies Act in force till the end of May 1976 (i.e., Assam Co-operative Societies Act, 1949, as extended to Manipur); it is also unable to obtain effective mortgages in the hill areas. Three primary land mortgage banks have also been organised and registered in the state but no long-term loans have so far been issued by them also. The financial particulars of the co-operative credit agencies functioning in the state as on 30 June 1975 is furnished in Statement 1.

TABLE 2

Sr. No.	Name of the Scheme	Area/Location	Remarks
1.	Loktak Lift Irrigation Project	Under Loktak Lift Command Area	An area of 24000 ha will be brought under irrigation in a phased manner. The object is to increase the cropping area.
2.	Lilong Barrage Lift Irrigation Project	Command area	A barrage after the confluence of Imphal and Iril rivers is under construction. The lifted water will irrigate an area of about 6,400 ha.
3.	NEC Watershed Area Scheme	Six areas in North district (Saikhul sub-division)	About 18000 ha will be developed and irrigated out of NEC funds during Fifth Plan period.
4.	Intensive Valley Development Project	One each in South and West districts	Each project will cover 200 ha. This includes terracing, horticultural development, irrigation and afforestation. It is a demonstration work for anti-jhum measures.
5.	Khaopum Dam	Khaopum Valley	It is an integrated project to be implemented by the Indo-German Commission, in a phased manner between 1977-8 and 1980-81. It will irrigate 300 ha.
6.	Itok Lift Irrigation Project	Command area	A Rs 9.00 crore dam is being constructed over Thoubal river. When completed, water by lifting process will be made available for irrigation in surrounding areas.
7.	Singda Dam	Command area 2000 ha	A barrage will be constructed on the confluence of Merakhong and Nambul rivers.

Manipur State Co-operative Bank

2.10 The co-operative agricultural credit movement in the state is of comparatively recent origin. The Manipur State Co-operative Bank, the apex co-operative institution, was registered only in 1956. In addition to its Head Office and branch at Imphal, the bank has four branches. Out of its total advances outstanding at Rs 90.58 lakhs as on 30 June 1975, Rs 66.53 lakhs forming 73.4 per cent, were for agricultural purposes. Of the agricultural loans outstanding to the bank,

medium-term loans formed a negligible proportion amounting to a mere Rs 0.39 lakh.

2.11 The loan policies and procedures pursued by the bank were generally in accordance with general banking norms and practices. However, certain deficiencies in its policies and procedures as given below have led to a high level of overdues :

- (i) Failure to take prompt and stern action against defaulter societies/borrowers;
- (ii) Sanction of loans in an *ad hoc* manner without reference to production requirements based on realistic scales of finance;
- (iii) Non-observance of seasonality in the matter of issue and recovery of crop loans;
- (iv) Inadequate follow-up of loans to ensure proper utilisation and prompt repayment.

The bank's advances are not evenly distributed in different parts of the state. Of the total cropped area of 2.50 lakh ha in the state, 1.40 lakh ha are in the plains and 1.10 lakh ha are in the hill areas. The bulk of the area under cultivation in the hill areas is under *jhumming*. The bank does not finance *jhum* cultivation. Thus, as against the total short-term advances of Rs 66.14 lakhs outstanding as on 30 June 1975, Rs 42.53 lakhs were outstanding against loans granted to farmers in the plains and Rs 23.61 lakhs in the hill areas.

2.12 The flow of agricultural credit in the state has almost come to a standstill due to very heavy overdues as will be evident from the following Table :

TABLE 3

Particulars	Rs Lakhs				
	1970-71	1971-2	1972-3	1973-4	1974-5
A. Bank to societies					
(a) Amount advanced	7.07	12.45	24.85	15.94	9.91
(b) Amount outstanding at the close of the year	32.31	49.68	66.05	54.24	66.15
(c) Percentage of overdues to demand	71.40	71.70	95.20	74.50	64.00
B. Societies to individual members					
(a) Amount advanced	6.75	28.01	27.49	15.94	10.26
(b) Amount outstanding at the close of the year	32.21	49.70	66.05	70.96	66.15
(c) Overdues to demand	76.50	78.00	83.00	83.30	88.00

The State's short-term credit requirements for traditional cultivation have been estimated at Rs 312.50 lakhs of which Rs 137.50 lakhs are for hill areas and Rs 175.00 lakhs for the valley areas. The co-operative bank's performance falls very much short of the credit requirements.

Primary Agricultural Credit Societies

2.13 According to available information, of the 1949 inhabited villages, 1072 or 55 per cent were served by 663 PACS at the end of June 1975. The societies had a membership, as on 30 June 1975, of 0.63 lakh as against the rural population of 9.31 lakhs, thereby indicating a coverage of 44 per cent. Out of 663 societies, 67 were reported fully dormant and another 87 defunct. The averages in respect of membership, paid-up share capital, deposits, working capital, loans issued and loans outstanding, per society, for the past five years are given below :

TABLE 4

Sr. No.	Particulars	Amount in Rs				
		1970-71	1971-2	1972-3	1973-4	1974-5
1.	Membership	144	142	129	126	124
2.	Paid-up share capital	3080	2933	2975	3080	3092
3.	Deposits	233	209	198	193	184
4.	Working capital	11322	13635	7186	15341	15556
5.	Loans issued	1470	5315	4529	2538	1552
6.	Loans outstanding	7018	9430	10881	11300	8613

It will be clear from the above table that the base level of the co-operative credit structure is so weak that it would be unable, in the near future, to play its role effectively in bringing about rapid development in the field of agriculture and allied activities. Further, no effective steps have been taken on the lines suggested in the 'Action Programme' for recovery of overdues suggested by the RBI so as to enable the societies to function effectively.

2.14 It may be mentioned here that the total short-term agricultural credit potential for the entire State of Manipur will be around Rs 3.12 crores (@ Rs 125 per ha after ignoring double-cropped areas with improved cultural practices). Assuming that only 50 per cent of the short-term agricultural credit requirements will be met by the PACS, the total advances by these societies have to be stepped up to about Rs 1.50 crores as against the existing outstanding at Rs 0.66 crore. This would be possible only if the societies are made viable and efficient which in turn would depend, *inter alia*, on increasing their effective coverage and diversifying their activities.

Land Development Banking Structure

2.15 In the field of long-term credit very little had been done so far. There is no SLDB in the state. Three PLDB have been registered but no long-term loans have been issued by them so far. No firm decision has been taken on the question of a separate long-term credit wing in the state as was contemplated in the Fifth Plan. But, on the advice of the RBI, further registration of PLDB has been kept in abeyance. For the reasons stated earlier, the Manipur State Co-operative Bank also could not issue any long-term loans.

2.16 It may be added here that the state government had prepared a draft ordinance entitled "The Manipur Co-operative Societies Ordinance, 1975." It has been promulgated on 6 April 1976 and is likely to be brought into force from 1 June 1976. The draft Ordinance permits a credit society to issue all types of loans.

CHAPTER 3

FINDINGS OF THE FIELD STUDY

3.1 The observations made in Chapter 2 indicate that the working of credit co-operatives is poor both in regard to their financial position and operational efficiency. There is large scope for agricultural development in the state for which investment credit supported by production credit is required. There is a big gap between the performance of the co-operative credit structure and what is expected of it—the gap being very wide in respect of investment credit as no long-term loans have been issued in the state so far, by the co-operatives. In the past, the state government had been, subject to availability of resources, providing agricultural loans to the farmers from the budget; this practice is now reported to have been discontinued. The commercial banks have only very recently opened their network of branches, which are mainly in the urban and semi-urban centres in the valley areas of the state. Their entry into the field of agricultural credit is also recent. The quantum of direct finance by commercial banks is bound to be limited, as they will not be able to reach thousands of small and marginal farmers, without a network of branches in rural and hill areas. Insofar as indirect

finance is concerned, only one Farmers' Service Society has been sponsored and financed by a commercial bank. The credit requirements of all the other PACS are to be met by the SCB. The co-operative credit structure in the state will, therefore, have to be strengthened to enable it to undertake the onerous responsibilities cast upon it under the Development Plans.

3.2 Though the GOI and the RBI have suggested various measures, including rehabilitation and re-organisation programmes for removing the weaknesses of the co-operative credit structure, not much headway has been made in the state in implementing these programmes.

Selection of Districts

3.3 According to the terms of reference, the primary objective in constituting the Study Group is to conduct studies in two selected districts in the state with a view to examining the economies and other advantages likely to accrue from an integration of the short-term, medium-term and long-term co-operative credit institutions at the apex and primary levels. Against this background, the Study Group gives its findings on its terms of reference.¹ The Study Group selected the Central and East districts of Manipur State for the purpose of field studies. The selection of these two districts was made taking into account a combination of situations and contrasting features so as to reflect a representative position. Particulars of credit co-operatives, functioning in these two districts are given in Statement 2. More important features are tabulated below and are also briefly described in the following paragraphs :

TABLE 5

Sr. No.	Particulars	Manipur Central*	Manipur East
1.	Area (sq. km.)	5605	4409
2.	Population (in lakhs)	7.63	0.62
3.	Density of population (per sq. km.)	136	14
4.	No. of villages (inhabited)	783	216
5.	Estimated cropped area (in '000 ha) under:		
	(a) Paddy	128.29	10.44
	(b) Wheat	0.38	N.A.
	(c) Maize	2.99	0.66
	(d) Others	N.A.	N.A.

*Includes particulars for Tengnoupal district which has recently been separated from Central district.

¹Terms of Reference for Manipur which are slightly different from those for other states are reproduced in Annexure.

3.4 The Central district has roughly a cultivated area of 1.40 lakh ha. Out of the total population of 10.73 lakhs (1971) in the State, the majority of population at 7.01 lakhs is in the Central district; the density is also the highest at 136 persons per sq. km. in the state as a whole. Infrastructural facilities are better in this district as compared to the remaining five hill districts of the state. As the scope for extending the areas under cultivation by reclamation of certain water-logged areas in the Central district is not known in the absence of any survey having been carried out for that purpose, intensified cropping by improved and modern farm practices could offer an immediate solution. The district has a settled land revenue system. Though presently the area irrigated is negligible, there is scope for bringing large portions of the cultivated area under irrigation mainly by lifting surface water. Paddy is the main foodcrop. During Rabi season, depending upon moisture content and by lifting water from rivers in certain pockets, crops such as wheat, mustard, peas, sugarcane and vegetables are grown but the area covered by these crops is not sizeable. There are certain minor irrigation projects under implementation; on completion, and if surface water is also tapped wherever possibilities therefor exist, a good part of the district could be brought under irrigation. With rice, fish is a staple diet of the people in the valley area. There is immense potential for developing inland fisheries and encouraging paddy-cum-pisciculture farms. There is also scope for farm mechanisation, development of animal husbandry and, to a limited extent, land levelling and bunding.

3.5 In contrast to the Central district, the East district, which has a geographical area of 4,409 sq. km., has a cultivable area of only 15,000 ha. It has a sparse population of 0.62 lakh (1971). The district is predominantly inhabited by tribals. Forests cover a major portion of the district. *Jhumming* is widely practised, though, of late, terraced cultivation in and around water sources is also undertaken. Paddy is the main food-crop. Maize is also grown in certain pockets as a cash crop. Besides, in selected areas, potatoes, peas, ginger and temperate and tropical fruits are also grown. There is good scope for increasing the cultivable area as well as for bringing *jhum* lands under settled/terraced cultivation with irrigation facilities. Although most of the terraced area is irrigated, double cropping is still unknown in this part of the state. Traditionally farmers are not habituated to double cropping. After the first crop is harvested, water is used for rearing fish and not for growing crops. Farmers are not motivated to go in for intensive cropping through adoption of improved agricultural practices. The district is, thus, under-developed. The availability of subsidies from state government could, by and large, be attributed as the main factor

for slow development in all spheres. There is scope for land development/reclamation, pisciculture, animal husbandry, horticulture, plantation, farm mechanisation and development of man-made forests. Land laws in the district are governed by tribal customs. There is an urgent need for land settlement and preparing land records with a view to attracting institutional finance. The need for developing infrastructural facilities on a priority basis need hardly be emphasized.

Selection of Societies

3.6 In selecting the areas/societies for studies, weightage was given to large and small societies having contrasting features. Although a good number of large-sized societies had been organised in the past, none of them could achieve the desired objectives. These societies, with unwieldy areas of operation have concentrated their activities mostly in the village headquarters with the result that the area of operation of some of them had to be fragmented. On the other hand, some of the small-sized societies which were able to show marginal profits could not serve the majority of farmers effectively, as they could not afford to employ full-time paid staff. Keeping these contrasting features in view, the Study Group visited 5 societies in the Central district of which 3 were large-sized and 2 small-sized. In the East district also, 5 societies were visited of which 1 was large-sized and 4 small-sized. The financial position and working of these societies are given in Statements 3 and 4.

Land Development Banking

3.7 The long-term co-operative banking structure has yet to be built up in the state. As per the Fifth Five Year Plan proposals of the state government, the land development section of the Manipur State Co-operative Bank was to function until a separate SLDB was established. It was also proposed to organise five PLDB during the Plan period. While the land development bank section has yet to be opened by the SCB, three PLDB have already been registered in the state and one more is being organised which would cover the area of operation of the United Farmers' Service Society, although the FSS itself is expected to disburse all types of credit to the farmer members. The outlay in respect of land development banking as envisaged by the state government during the Fifth Plan and that approved by the Working Group are given in Table 6.

3.8 Despite immense potentialities in the state for term investment in agriculture, particularly in respect of inland fisheries, poultry, piggy,

TABLE 6

		Rs Lakhs
	Proposals made by state govt.	As approved by the Working Group
(i) Managerial Subsidy	3.20	2.20
(ii) Loan (contribution towards debentures)	15.50	5.00
(iii) Share Capital	10.00	2.00

dairy, terracing and land levelling, minor irrigation, horticulture, farm mechanisation, development of man-made forests, etc., no long-term loans have been disbursed so far though the state government has programmed disbursements to the extent of Rs 50 lakhs, Rs 100 lakhs and Rs 50 lakhs during 1974-5, 1975-6 and 1976-7, respectively. Keeping in view the factors as at present obtaining in the state in particular, the absence of suitable land laws in the hill districts enabling the creation of effective mortgages, the past performance of the short-term co-operative credit structure, and non-availability of trained personnel, the study Group is convinced that the proposal for a separate LDB wing will not be feasible as these institutions are not likely to attain viability in the foreseeable future. Under these circumstances the bifurcation of the short-term and long-term credit structure in the state as proposed in the Fifth Plan is not recommended by us as it would weaken the credit structure. Its continued integration is, therefore, necessary for making a strong and viable base for co-ordinated agricultural development in the state. Such an integration is already in operation in the FSS. Further, the state being small and having complicated socio-economic conditions, it is desirable to have a single and financially strong state level co-operative credit institution. The state government has decided that a separate land development bank section in the SCB should be opened for disbursing long-term loans. The proposal for organising a separate SLDB has not been pursued by it. As regards the three PLDB, already registered, the state government has decided to accept the RBI's suggestion and convert them into multi-purpose co-operative societies. But their area of operation, instead of being confined to a Nyaya Panchayat as in the case of the other proposed PACS in the plain areas, would cover 2 to 4 Nyaya Panchayats.

Future Strategy

3.9 Assuming that the integrated pattern of co-operative credit structure continues to operate in the future, the viability norms, in the valley

and hill regions, are to be examined. At present the state government have laid down the following criteria for viability for PACS :

- (i) for valley areas—Rs 0.40 lakh credit and Rs 0.13 lakh non-credit business.
- (ii) for hill areas—Rs 0.23 lakh credit and Rs 0.08 lakh non-credit business.

No re-organisation of societies on the basis of the norms fixed above has taken place. No survey has been made in the state to assess the viability of societies in different areas and re-organize them into viable units. Further, the norms fixed no longer subsist and need to be revised.

3.10 On the basis of visits to 5 societies each in the Central and East districts and discussions held with knowledgeable persons/authorities, the Study Group recommends that there should be separate norms of viability for hill and valley areas. Taking factors such as cultivable area, population and other infrastructural facilities into consideration, it is recommended that hill areas should have new type of units as compared to those in existence. The five hill districts of Manipur have a population of 3.72 lakhs and a total cultivable area of 1.10 lakh ha. These areas are suitable for organisation of LAMPS. According to the guidelines issued by the RBI, a LAMPS should, on an average, cover a population of 10,000 or 10,000 acres so that with either 40 per cent membership or 40 per cent cultivated area being serviced, a LAMPS would be a viable unit. On this basis, 35 LAMPS could be organised. Each such LAMPS would, on an average, cover 22 villages, 10,000 rural population and 8,000 acres of cultivable land. The operational area of each LAMPS should be so carved as to facilitate prompt service to all the villages from either its headquarters or depots/sub-centres. The headquarters can be located at a convenient place, such as the block headquarters. These LAMPS should also have, on an average, about 5 servicing points/depots, each nursing 4 to 5 villages around it, at growth centres where there is business potential and reasonable transport and communication facilities. The sub-depots/service centres may be opened in a phased manner but be completed within 3 years. These areas have potential for development such as land levelling and reclamation, minor irrigation, farm mechanisation, horticulture, forestry and paddy-cum-pisciculture farming. Taking these potentialities into consideration, the business potential of each LAMPS, over a 5-year period, could be projected as in Table 7. For having business of this projected magnitude, each LAMPS would need an equity base of Rs 2 lakhs at the end of the fifth year beginning with Rs 50,000.

TABLE 7

Rs Lakhs

	Year				
	First	Second	Third	Fourth	Fifth
A. Nature of business					
(a) Short-term agricultural loans (advances)	1.00	2.50	4.00	6.00	7.00
(b) Term loans for agriculture (outstanding at year end)	1.00	3.00	7.50	10.00	15.00
(c) Non-credit business (Turnover)	2.00	4.50	6.50	7.00	7.50
Total	4.00	10.00	18.00	23.00	29.50
B. Expected income					
(a) On credit at 2 per cent net margin	4,000	11,000	23,000	32,000	44,000
(b) On non-credit at 9 per cent margin on turnover	18,000	40,500	58,500	63,000	67,500
Total	22,000	51,500	81,500	95,000	111,500
C. Anticipated expenditure					
(a) Salary of staff, excluding technical staff, whose cost is to be borne by the state government initially for 5 years	23,000	25,000	38,000	39,000	40,000
(b) Other expenditure (including provision for bad/doubtful debts)	25,000	30,000	45,000	60,000	60,000
Total	48,000	55,000	83,000	99,000	100,000
D. Expected net profit (+) or loss (—)					
	(—)26,000	(—)3,500	(—)1,500	(—)4,000	(+)11,500

3.11 The people in the hill areas being tribal and poor, and the deposit potentialities being meagre, a LAMPS would need a longer period than a society in the plain areas to attain viability. Thus, it may seem inevitable that LAMPS would have to be subsidized for a longer period and sizeably too (at least to the extent of deficits worked out earlier) during the initial years particularly in respect of managerial and technical staff, contribution towards bad debts reserve and construction of godowns and depots. It could reasonably be expected that after functioning for seven to ten years under proper supervision and guidance, each LAMPS would be able to bear the cost of technical staff as well. The staffing pattern of a LAMPS is recommended in Table 8 overleaf.

TABLE 8

Sr. No.	Post	No. of posts	Salary p.m. (Rs)	Annual expenditure at the starting point (Rs)
1.	Managing Director/Secretary	One	500-750	6,000
2.	Accountant	One	400-600	4,800
3.	Supervisor	Two-Three	350-500	4,200
4.	Godown keeper-cum-salesman	One	250-400	3,000
5.	Sub-depot-in-charge	One	250-400	3,000
		for each of 5 depots		
6.	Attendant/helper	One	150-200	1800
7.	Technical staff—veterinary, agricultural, engineering and horticulture	Three	Govt. Scales	To be borne by the state government
				22,800

Initially, each LAMPS should have one Managing Director, one Accountant, one Supervisor, one Godown-keeper-cum-salesman and three technical staff at headquarters and a sub-depot-in-charge for each depot. The appointment of additional staff such as supervisors and depots-in-charge may be made, in a phased manner, with proper business justification. The cost of technical staff would be borne by the state government during the initial period of 5 years and longer, if necessary.

3.12 For the valley area, the structure will have to be different from that in the hill areas. There are at present 224 Gram Panchayats (local administrative units) and 44 Nyaya Panchayats (local judicial units). Under the provisions of the Manipur Panchayat Raj Bill, 1975, which has since received the assent of the President, the state government proposes to demarcate afresh the area of each Gram Panchayat and Nyaya Panchayat so as to reduce the number of Gram Panchayats from 224 to 100 and increase the number of Nyaya Panchayats from 44 to 100. Each new Gram Panchayat and Nyaya Panchayat will, on an average, have a population of 7500, 5-6 villages, and 1400 ha of cultivable land under its operational limit. The process of re-organisation of Gram Panchayats has to be completed by August 1976. Keeping in view the administrative convenience, possibilities of bringing more areas under multiple cropping, possibilities of developing pisciculture over 18000 ha of water areas, introduction of paddy-cum-pisciculture farming, scope of development of animal husbandry and on-farm investment and the past experience of large-sized societies, it is felt that the jurisdiction of a new

Gram Panchayat/Nyaya Panchayat will be suitable for restructuring the existing co-operatives with co-terminous jurisdiction. Such of those societies whose bad debts, accumulated losses, etc., exceed their owned funds may be taken into liquidation and the others merged with a nucleus society so as to form Gram/Nyaya Panchayat level (NPL) Society in the valley areas. The area of a new Gram Panchayat/Nyaya Panchayat will be able to provide business as projected below, over a 5-year period.

TABLE 9

	Year				
	First	Second	Third	Fourth	Fifth
A. Nature of business (Rs lakhs)					
(a) Short-term agriculture (advances)	0.50	1.00	1.50	2.00	3.00
(b) Term loans for agriculture (outstanding at year end)	0.50	1.50	4.00	6.00	8.00
(c) Non-credit business (turnover)	1.00	2.00	3.00	4.00	5.00
Total	2.00	4.50	8.50	12.00	16.00
B. Expected income (Rs)					
(a) On credit at 2 per cent margin	2,000	4,500	10,500	16,000	22,000
(b) On non-credit business at average 5 per cent on turnover	5,000	10,000	15,000	20,000	25,000
Total	7,000	14,500	25,500	36,000	47,000
C. Anticipated expenditure (Rs.)					
(a) Salary of staff	15,000	22,400	26,000	29,000	32,000
(b) Other expenditure	10,000	10,000	7,000	9,000	10,000
Total	25,000	32,000	33,000	38,000	42,000
D. Net surplus (+) or deficit (—) (Rs)					
	(—)18,000	(—)17,950	(—)7,500	(—)2,000	(+)5,000

For this volume of business the proposed unit should have an equity base of at least Rs 1.50 lakhs at the end of the fifth year, starting point being Rs 0.25 lakh. The proposed NPL society will be able to earn profit, albeit marginal, at the end of the fifth year. During the initial period, however, it will require sizeable subsidy (at least to the extent of deficits worked out above) from the state government towards managerial expenses, bad debts reserve and subsidies and grants for construction of godown/depots. The technical staff in respect of these

societies may be attached to the branches of the SCB in the plain areas and their cost borne by it.

The staffing pattern of a proposed NPL society is envisaged as under during the first year :

TABLE 10

Sr. No.	Name of the post	No. of posts	Salary scale	Annual expenditure at the starting point (Rs)
1.	Managing Director/Secretary	One	450-650	5,400
2.	Supervisor-cum-accounts clerk	One	350-500	4,200
3.	Godown keeper-cum-salesman	One	250-400	3,000
4.	Attendant/Helper	One	150-200	1,800
Total				14,400

The appointment of additional supervisor-cum-accounts clerk and godown keeper-cum-salesman, when necessary for opening sub-depots/ service centres, may be made in a phased manner, when the business turnover justifies this increase.

State Co-operative Bank

3.13 The bank has yet to open a land development bank section. As pointed out earlier, it has little experience of term loan business. It would be necessary for it to train the necessary staff at the Co-operative Training College, Madras or Kalyani (West Bengal) and depute them for re-orientation to the RBI and ARDC. The technical staff would have to be recruited and could also partly be obtained on deputation from the state government. Keeping in view the potential for development, it could reasonably be assumed that over a period of five years from the commencement of such business it will have a term loan business of Rs 13.25 crores, averaging Rs 2.65 crores per year. Initially, the business may not exceed Rs 1.00 crore a year but in the subsequent 2 or 3 years the business may increase to about Rs 4.00 crores per year. Similarly, short-term production loans, which initially may not exceed Rs 1.00 crore could be expected to register an increase of over Rs 5.00 crores after development with availability of irrigation facilities and cultivation of HYV crops. For non-credit business, the bank may be required to grant advances of Rs 1.50 crores to achieve a loan turnover of about Rs 6 to 7 crores. Thus, the total short-term

loans and cash credit advances may reach Rs 7.00 crores towards the end of the fifth year. For handling operations of this magnitude, the bank would need a strong capital base. In terms of its bye-law provisions, the bank can borrow 15 times its paid-up share capital plus reserve fund. As against the owned funds of Rs 24.27 lakhs as on 30 June 1975, its owned funds should be about Rs 2.25 crores by the end of the five-year period. It may not be difficult later on to build up owned funds as linking of share holdings with borrowings and accretions to reserves from profits and grants will automatically augment the the owned funds. The year-wise projections of business, income and expenditure are indicated in Statement 5. A projected Balance Sheet of the bank for five years is given in Statement 6.

3.14 The present staffing pattern of the Manipur State Co-operative Bank and that proposed by the Study Group are indicated in Statements 7 and 8. It may be seen from Statement 7 that presently the office of the bank at Imphal combines both the Head Office and a branch; the bank is headed by a Manager with a supporting staff of 4 Assistant Managers, 5 other officers of the rank of Branch Manager, 2 Accountants, 1 Head Cashier, 18 Assistants and 14 Class IV staff. The field staff comprises 1 'Bakijai' Officer (on deputation from the Co-operation Department), 6 Inspectors and 39 Supervisors. The monthly salary bill at Imphal works out to about Rs 0.31 lakh. The branches are headed by a Branch Manager with supporting staff of 2 Assistants and 2 Class IV staff. The average monthly salary bill of a branch works out to Rs 2,000.

3.15 The Manipur State Co-operative Bank has at present 4 branches in the plains and 1 branch in the hill areas. It should have a network of branches covering all districts and growth centres/places having assured business potential. To achieve this, it will have to open 1 more branch in the plain areas and 4 branches in the hill districts within the next 2 or 3 years. Besides, the work of the office at Imphal should be divided so that the Head Office is separated from the branch.

M. L. T. Fernandes
Shankar Lal

Y. Brajamani Singh
S. G. V. Ramanan

M. K. Shah
J. S. Bisht

Imphal
6 July 1976

ANNEXURE

TERMS OF REFERENCE

The primary objective in constituting this Study Group in Manipur State is to make depth studies in two selected districts with a view to examining the economies and other advantages likely to accrue from an integration of the short, medium and long-term credit functions at the apex and primary levels.

Keeping this objective in view, the Group may select for the study two districts in the State taking into account a combination of situations or contrasting features such as the following:

(i) A district having considerable area under irrigation and another with relatively small area but with good irrigation potential as revealed from the available ground water data. Another contrasting feature that may be taken into account is a district where scope for lending for minor irrigation is relatively limited on account of nearing the saturation point of groundwater exploitation.

(ii) Besides the features mentioned above, one of the districts may have considerable area under cash crops, while the other under food crops.

Guidelines for Study

(1) In each of the districts, atleast 5 primary agricultural credit societies with a minimum loan business of Rs 2.00 lakhs (existing or potential including long-term loans) may be selected to find out how the viability of the society could be improved by taking over the additional function of providing long-term loans through them. While working out the viability of the societies, the potential business for the next five years would have to be assessed. For this purpose, an interest margin of 2 per cent for the long-term loan at the society level and 1 per cent at the level of the state co-operative bank may be assumed.

(2) At the level of the state co-operative bank, it may be examined whether the supervisory staff at present is adequate and they are effectively supervising the end-use of funds for short-term and medium-term loans. The Group may find out how frequently visits are made by the supervisors and the kind of post-disbursement/post-investment checks being made to ensure that medium-term loans issued are being put to optimum use.

(3) It should also be examined whether the field staff for supervision over the primary agricultural credit societies could not also be used for supervising regularly the beneficiaries of long-term loans. It may also be ascertained whether on account of the additional work involved in taking over long-term financing, the societies would require more supervisors and promotional staff.

(4) It may also be verified whether the state co-operative bank has any technical staff or whether it relies on the technical staff of the state government.

(5) It will be necessary for the Study Group to prepare a balance sheet and profit and loss account of the state co-operative bank taking into account the additional responsibility, in dispensing long-term credit, and also the need for appointing more supervisory, technical and promotional staff and other incidental expenses. Thereafter, it has to be examined whether the integrated function of providing all types of credit through one institution would improve its overall financial position.

While studying this aspect, the savings likely to accrue on account of supervisory and other staff, overheads, better management of funds, etc., may be examined.

(6) The Group may find out whether any other problems are likely to arise on account of the added responsibility for the short-term credit structure. In this connection, the Group may give their suggestion regarding any specific legal problems in the short-term credit institutions purveying long-term credit, that may have a bearing on the Bye-laws, Co-operative Societies Act, Banking Regulation Act, Reserve Bank of India Act, etc., for examination by the Working Group formed for the purpose.

(7) Particulars of the state and the co-operative credit institutions in the state may be collected as per Statements 1 to 5* which will be useful to the Group in its study and for giving its observations and findings. After collecting the necessary data in Statement 6* relating to Cost Analysis, the same may be sent to the Committee for processing.

Note: In the ultimate analysis, it has to be examined as to what are the advantages that would accrue through integration of credit functions in the form of (i) reduction in the cost of operation, (ii) ability to have better management, (iii) overall efficiency in resources mobilisation, deployment of funds and (iv) employment of adequate personnel, etc.

* Not reproduced

STATEMENT 1

PARTICULARS RELATING TO CO-OPERATIVE CREDIT INSTITUTIONS IN MANIPUR STATE
AS ON 30 JUNE 1975

													Amount in Rs '000	
Sr. No.	Banks/Institutions	Number of banks	No. of branches	Paid-up capital	Statutory reserve	Other reserves	Deposits	Borrowings	Working capital	Investments	Loans outstanding	Overdues	Demand during the year	Percentage of recoveries to demand
1.	State Co-operative Bank	1	2	23,05	1,22	6,33	99,64	2,85	133,95	11,78	90,58	67,84	106,36	36
2.	District Central Co-op. Bank	1	But not functioning											
3.	Primary Agricultural Credit Societies	663	Nil	20,50	8,55	2	1,22	66,15	98,42	N.A.	66,15	59,44	67,60	12
4.	Central Land Development Bank	—	—	—	—	—	—	—	—	—	—	—	—	—
5.	Primary Land Development Bank	1	Nil	84,45	Nil	Nil	Nil	Nil	84,45	Nil	56,40	Nil	Nil	Nil

STATEMENT 2

PARTICULARS OF PRIMARY CREDIT SOCIETIES IN THE DISTRICTS
As on 30 JUNE 1974

Sr. No.	Item	Amount in Rs	
		Central District	East District
1.	Number	312	93
2.	Of which, state partnered	129	36
3.	Of which, having full-time paid secretaries	3	Nil
4.	Total membership	25,850	7,040
5.	Villages covered	445	102
6.	Total paid-up capital	11,36,000	1,79,000
7.	Of which, Govt. share capital	2,94,000	81,000
8.	Statutory reserves	Nil	Nil
9.	Other reserves and funds	28,300	38,000
10.	Deposits	1,15,000	10,400
11.	Borrowings from the Central banks	39,88,000	4,96,000
12.	Other borrowings	28,000	38,000
13.	Investments	8,63,000	19,000
14.	Loans and advances:		
	(a) Short-term agricultural	39,93,000	4,69,000
	(b) Medium-term agricultural	Nil	Nil
	(c) Medium-term conversion	Nil	Nil
	(d) Others	Nil	Nil
	(e) Total	39,93,000	4,69,000
15.	Loans overdue	30,82,000	1,95,000
16.	No. working at profit	67	N.A.
17.	Amount of profit	1,97,000	N.A.
18.	No. working at loss	217	N.A.
19.	Amount of loss	2,29,000	N.A.
20.	No. of societies working without profit or loss	28	N.A.
21.	No. of societies declaring dividend for 1973-4	—	—
22.	Classification of societies according to outstanding loans		
	(a) No. with outstanding below Rs 50,000/-	280	86
	(b) No. with outstanding between Rs 50,001/- & Rs 1,00,000/-	5	Nil
	(c) No. with outstanding between Rs 1,00,001/- & Rs 1,50,000/-	3	Nil
	(d) No. with outstanding above Rs 1,50,001/-	Nil	Nil

STATEMENT 3
PARTICULARS OF PRIMARY AGRICULTURAL CREDIT SOCIETIES SELECTED FOR STUDY

	Central District					Rs '000
	Kakching L.S.P.C.A.C. Society (30-6-75)	Thoubal L.S.P.C.A.C. Society (30-6-75)	Kadampokpi C.A.S.S. (30-6-75)	Malon Tuliya S.C.S. (30-6-75)	United Farmers' S.C.S. (30-6-75)	
	1	2	3	4	5	
(A) LIABILITIES						
1. Share Capital ..	76	29	4	25	66	
2. Reserves ..	4	2	6	29	Nil	
3. Deposits ..	12	6	1	Nil	Nil	
4. Borrowings ..	161	97	27	14	52	
5. Other liabilities	248	31	—	65	288	
6. Profit	14	—	—	17	Nil	
7. Total	515	165	40	150	406	
(B) ASSETS						
1. Cash and bank balances	79	19	3	33	183	
2. Investments	49	15	3	5	Nil	
3. Loans outstandings ..	186	89	18	22	212	
4. Fixed assets	34	9	12	28	7	
5. Other assets	64	11	4	40	—	
6. Stock-in-trade	80	Nil	Nil	22	Nil	
7. Loss, if any	23	12	—	—	4	
8. Total	515	165	40	150	406	

(C) GENERAL PARTICULARS

1. No. of villages covered in the area of operation	Kakching (12 circles), Sora and Irengbad	12	One	One (earlier 3)	40 (earlier 98)
2. Approximate population	35,000	1,00,000	3,500	3,500	47,000
3. No. of cultivating families	6,200	15,000	600	600	5,000
4. No. of members	835	631	59	168	2,139
5. No. of borrowing members ..	518	305	38	155	1,766
6. Strength of paid staff	Class III-3 Class IV-1	Class III-2 Class IV-1	Nil	Class III 2 Tech: 1 Class IV 2	M.D. 1 Tech: 3 Sup: 5 Class III 2
7. Existing long-term loan outstanding in the area	Not lent. (From other sources not known).				
8. Type of potential for expanding term-loan business	Minor irrigation, farm mechanisation, animal husbandry, inland fisheries and paddy-cum-pisciculture.				
9. Whether has an owned/hired office building	Owned	Owned	Free hired	Own	Free hired
10. Year of establishment ..	1957	1957	1960-61	1948	1973

Figures in brackets represent latest dates for which the data were available.

STATEMENT 4
PARTICULARS OF PRIMARY AGRICULTURAL CREDIT SOCIETIES SELECTED FOR STUDY

		East District			Amount in Rs '000	
Sr. No.	Particulars	Central C.A.S.S. Ukhrul (30-6-1975)	Somdal C.A.S.S. (30-6-1974)	Phadang C.A.S.S.	Tuinem C.A.S.S. (30-6-1975)	Sirara Khong C.A.S.S. (30-6-1975)
		1	2	3	4	5
(A) LIABILITIES						
1.	Share Capital	6	4	The society was defunct for the last five years due to defalcation	7	6
2.	Reserves ..	9	Nil		4	1
3.	Deposits ..	1	3		11	3
4.	Borrowings ..	13	32		1	13
5.	Other liabilities	1	12		1	10
6.	Profit ..	Nil			Nil	7
7.	Total ..	30	51		24	40
(B) ASSETS						
1.	Cash & bank balances ..	1	7	The society was defunct for the last five years due to defalcation	8	6
2.	Investments	2	3		2	3
3.	Loans outstandings	7	25		Nil	18
4.	Fixed assets	13	16		Nil	3
5.	Other assets	4			4	1
6.	Stock-in-trade	Nil	Nil		Nil	6
7.	Loss, if any	3	Nil		8	3
8.	Total	30	51		24	40
(C) GENERAL PARTICULARS						
1.	No. of villages covered in the area of operation ..	3	1	1	1	1
2.	Approx. population	700	1,500	1,800	1,864	1,000
3.	No. of cultivating families	150	250	250	250	120
4.	No. of members	141	157	80	165	110
5.	No. of borrowing members	121	157	Nil	155	100
6.	Strength of paid staff	Nil	Nil	Nil	Nil	Nil
7.	Existing long-term loan outstanding in the area	Not lent.	From other sources not known.			
8.	Type of potential for expanding term loan business	Land terracing development, horticulture, plantation, development of man-made forests, farm mechanisation, animal husbandry and paddy-cum-pisciculture.				
9.	Whether has an owned/hired office building ..	Owned	Owned	Hired	Hired	Owned
10.	Year of establishment	1971-2	1960-61	1961-2	1960-61	1959-60

STATEMENT 5

PROJECTION OF LOAN BUSINESS OF THE MANIPUR STATE CO-OPERATIVE BANK (AFTER STARTING LAND DEVELOPMENT SECTION)

Rs Lakhs

Sr. No.	Particulars	Year-wise				
		First	Second	Third	Fourth	Fifth
1.	Agricultural production credit .. (including inputs)	85	187.50	290	410	545
2.	Agricultural development credit— L T (Outstanding) ..	85	255	662.50	950	1325
3.	Non-credit business (consumers, etc.) (Outstandings) ..	43	85	100	130	150
		213	527.50	1052.50	1490	2020
4.	Approximate income on loan business:					
	(a) Margin @ 4% on S T loans (on an average for nine months) ..	2.55	5.61	8.70	12.30	16.35
	(b) @ 1% on Term loan ..	0.85	2.55	6.62	9.50	13.25
	(c) @ 7% on non-credit business ..	3.01	5.95	7.00	9.10	10.50
		6.41	14.11	22.32	30.90	40.10
5.	Share capital base ..	20	50	100	150	200
6.	Additional expenditure towards cost of establishment over present level of Rs 4.00 lakhs ..	5.00	9.00	12.00	14.00	14.50
7.	Provision for overdues and bad & doubtful debts @ 10% of gross income on loans ..	0.64	1.41	2.23	3.09	4.01
8.	Contribution towards common cadre society—10% of the gross income on loans ..	0.64	1.41	2.23	3.09	4.01
9.	Additional expenses for opening branches ..	1.00	1.00	0.20	0.20	0.20
10.	Additional contingent expenses ..	1.00	1.00	1.00	1.00	1.00
11.	Total of additional expenses (sum total of item No. 6 to 10) ..	8.28	13.82	17.66	21.38	23.72
12.	Additional income on loans over present level income of Rs 7.10 lakhs ..	—	7.00	15.20	23.80	33.00

STATEMENT 6

PROJECTED BALANCE SHEET OF THE MANIPUR STATE CO-OPERATIVE BANK

Rs Lakhs

Liabilities		Year-wise				
		First	Second	Third	Fourth	Fifth
Paid-up Capital	}	80	100	117	165	225
Reserves						
Deposits		200	410	824	1149	1547
Borrowings:						
(a) Short-term		45	140	217	307	410
(b) Long-Term		30	229	596	855	1192
		355	879	1754	2476	3374

Assets		Year-wise				
		First	Second	Third	Fourth	Fifth
Cash	}					
Bank Balance						
Investments		142	352	702	986	1354
Fixed Assets						
Loans outstanding:						
(a) Short-term agri.		85	187	290	410	545
(b) Short-term non-agri.		43	85	100	130	150
(c) Term loans		85	255	662	950	1325
		355	879	1754	2476	3374

STATEMENT 7

PRESENT STAFFING PATTERN OF THE MANIPUR STATE CO-OPERATIVE BANK

Sr. No.	Designation	No. of posts	Average salary paid to an incumbent Rs.
A. HEAD OFFICE-cum-IMPHAL BRANCH			
1.	Manager	1	1150
2.	Assistant Manager	4	700
3.	Branch Manager	5	500
4.	Accountant	2	450
5.	Head Cashier ..	1	475
6.	Bakijai Officer (Recovery) ..	1	825
7.	Inspector	6	360
8.	Supervisor	39	300
9.	Assistant, Clerk and Cashier	18	300
10.	Class IV	14	250
B. AT BRANCH LEVEL (3 BRANCHES)			
1.	Branch Manager	1	525
2.	Assistant/Cashier ..	2	325
3.	Class IV	2	250

STATEMENT 8

PROPOSED STAFFING PATTERN OF THE MANIPUR STATE CO-OPERATIVE BANK AT THE END OF THE FIFTH YEAR

A. Head Office

Managing Director (Rs 2500)

(1)		(2)		(3)		
Manager (Loans and Advances) (Rs 1000) (ST)		Manager (Recoveries) (Rs 1000)		Manager (Loans and Advances) (Rs 1000) (Term Loans)		
Asstt. Manager (Rs 700)	Asstt. Manager (Rs 700)	Asstt. Manager for hills (Rs 700)	Asstt. Manager for valley (Rs 700)	Supporting and Technical staff		
1. Short-term agri. 2. Marketing finance	1. ST non-agri. 2. Cash credit & over- drafts for consumers business 3. Industrial advances	Assistants Two (Rs 350 each)	Assistants Two (Rs 350 each)	L.V.Os. 12 Officers (Rs 500 each)	Technical Staff Horticulturist—One (Rs 750) Agri. Engineer— One (Rs 750) Animal Husbandry One (Rs 750) Fisheries—One (Rs 750) Mech. Engineer One (Rs 750)	Legal Officer One—Two (Rs 750) Assistant One (Rs 350)
<i>Supporting staff</i>	<i>Supporting staff</i>	Class IV—One (Rs 250)		Assistant One (Rs 350)	Assistant—One (Rs 350)	
Assistants —Two (Rs 350 each) and	Assistants —Two (Rs 350 each) and				Class IV—Two (Rs 250 each)	
Class IV —One (Rs 250)	Class IV —One (Rs 250)					

(4)			(5)		
Manager (Accounts & Monitoring) (Rs 1000)			Manager (Personnel & Development) (Rs 1000)		
Asstt. Manager— One (Rs 700)	Asstt. Manager (Rs 700)	Asstt. Manager (Rs 700)	Asstt. Manager Staff (Rs 700)	Asstt. Manager—Liaison work (Rs 700)	Asstt. Manager (Dev.) (Rs 900)
1. Receipt of branch returns & scrutiny	Audit & Inspection of branches and societies	1. Compilation of Statistics	1. Staff matter	1. Convening of meeting for Board & other Committees.	1. Re-organisation of Primary Agricultural credit and other societies ensuring viability.
2. Branch recon- ciliation	Inspectors—Six (Rs 450 each)	2. Preparation and submission of statutory & other returns	2. Recruitment & Appointment	2. Submission of agenda notes for Board or other Committees	2. Rehabilitation of the Bank.
Assistants—Two (Rs 350 each)	Assistants—Three (Rs 350 each)	3. Preparation of statement for annual audit and inspection.	3. Training & Promotion	3. Preparation of Pro- ceedings of meetings and maintenance of Share Register and allot- ment of shares including payment of dividend.	3. Branch expan- sion Programme
		4. Preparation of loan application for Govt., RBI, & ARDC	4. Salary	4. Attending Meetings on behalf of Bank.	4. Deposit mobili- sation.
		5. Investment in securities, etc.	5. Disciplinary action	5. Financing of Small & Marginal Farmers	5. Maintenance of cadre secreta- ries and staff.
		Assistants—Two (Rs 350 each)	6. Maintenance of staff records, etc.	6. Financing of agricul- ture through societies by the commercial banks.	Assistant—One (Rs 350)
	Class IV—Two (Rs 250 each)		7. Premises, Furni- ture & Fixtures	7. Co-ordination with other agencies, SFDA/ commercial banks/ Government.	Class IV—One (Rs 250)
			8. Vehicles	8. Development of marketing of agricultural produce	
			9. Purchase and supply of station- ery articles including print- ing of registers and forms.		Assistant—One (Rs. 350)
			Assistant—One (Rs 350)		Class IV—One (Rs. 250)
			Class IV—One (Rs 250)		
Stenographer	— 3 —(Rs 400 each)				
Driver	— 7 —(Rs 300 each)				
Chowkidar	— 3 —(Rs 250 each)				

STATEMENT 8 (Contd.)

B. BRANCH AT AN OPTIMUM LEVEL (ASSUMING 10 BRANCHES FINALLY)

Sr. No.	Designation	No. of Posts	Average salary paid to an incumbent Rs.
1.	Branch Manager	1	750
2.	Accountant ..	1	500
3.	Sub-Accountants	2	400
4.	Inspectors	3	450
5.	Supervisors (including two junior technical persons) ..	5	350
6.	Assistants including Typists	8	350
7.	Cashiers ..	2	350
8.	Grade IV	4	250

STATEMENT 9

RIGHT TO ALIENATE LAND/RIGHTS IN LAND

Category of land holder	Nature of restrictions, if any
1. Pattadars and settlement holders	—
2. Settlement holders under annual lease	No transferable rights.
3. Allottees under the Manipur Land Revenue and Land Reforms Act, 1960	No right to transfer within ten years from the date of allotment without written consent of the Deputy Commissioner. However, land can be mortgaged to a co-operative society or Government or land mortgage bank without such consent.
4. Scheduled tribe allottees	Transfer can be made only to another member of the scheduled tribe. Transfer to others will require previous permission of the Deputy Commissioner. Transfer by way of mortgage to a co-operative society is permitted.
5. Tenants	Rights to mortgage in favour of co-operative societies or co-operative land mortgage banks only.
6. Fragment holders	Sale can be made only to a contiguous plot holder.
7. Land in hill areas	Rights over land are governed by tribal customs.

REPORT OF THE STUDY GROUP
MAHARASHTRA

CHAPTER 1

INTRODUCTION

1.1 The Study Group consisted of the following members :

1. Shri A. N. Mukherjee Director Agricultural Refinance and Development Corporation Bombay	Joint Convener
2. Shri K. G. Patkar Deputy Chief Officer Agricultural Credit Department Reserve Bank of India Bombay Regional Office Bombay	Joint Convener
3. Shri P. G. Koranne Joint Registrar of Co-operative Societies Maharashtra Pune	Member
4. Shri F. O. Doss Deputy Chief Officer Department of Banking Operations and Development Reserve Bank of India Bombay	Member
5. Shri V. M. Sathe ¹ General Manager Maharashtra State Co-operative Bank Ltd. Bombay	Member
6. Shri A. S. Savkar ² Manager Maharashtra State Co-operative Land Development Bank Ltd. Bombay	Member

¹ Shri V. B. Sabnis, Manager (CFA), Maharashtra State Co-operative Bank Ltd., attended the first meeting of the Study Group held in April 1976.

² Shri D. G. Tungare, Managing Director, Maharashtra State Co-operative Land Development Bank Ltd., attended the final meeting held in July 1976.

7. Shri S. G. V. Ramanan
Member-Secretary of the
Committee and Director
Agricultural Refinance and
Development Corporation
Bombay

Co-ordinating-
Member

Selection of Districts

1.2 The Study Group selected at its first meeting in April 1976, the districts of Ahmednagar, Kolaba and Parbhani representing broadly the diverse agro-climatic zones in the state. The basic features of the districts, viz., geographical area, population, area under cultivation, distribution of land holdings, etc., are furnished in Statement 1. From each of these districts, two typical taluks were identified having regard to the status of agricultural development achieved in these areas and of the co-operative credit institutions. Further, from each of these taluks, 5 functioning PACS with a minimum loan business of Rs 2 lakhs were chosen for detailed study, with the object of ascertaining the existing relationship between the ST and LT co-operative credit wings, identifying benefits expected to be realised from integration and assessing whether the PACS could, in the event of integration, provide an effective and viable base level organisation. The salient features of the PACS selected for the study are furnished in Statements 2(a), (b) and (c). The financial and other particulars of the CCB and the district branches of the Maharashtra SLDB in the three districts are indicated in Statements 3 and 4.

Acknowledgements

1.3 The Study Group would like to make a special mention of the valuable guidance and suggestions it received from Shri S. G. V. Ramanan, Member-Secretary of the Committee on Integration of Co-operative Credit Institutions. The Group also places on record its appreciation for the valuable services rendered by Shri R. G. Deshpande, Deputy Director, ARDC, Shri D. B. Tambat, Officer on Special Duty, Maharashtra State Co-operative Bank and the officers who conducted field studies, viz., Sarvashri S. K. Phatak, Senior Analyst, M. J. Damle, Junior Analyst (ARDC) and R. G. Pradhan, RCO, RBI(ACD) and Shri Akoot of the MSCB.

CHAPTER 2

ASSESSMENT OF GENERAL PERFORMANCE
AND FIELD STUDY RESULTS*Co-operative Credit Structure*

2.1 Conforming to the general pattern, the short-term co-operative credit structure in Maharashtra consists of three-tiers, viz., the PACS at the base level, the CCB at the middle-tier and the Maharashtra State Co-operative Bank Ltd., (MSCB) at the apex level. The CCB function through their Head Offices and branches. The MSCB has, besides Head Office, 7 Divisional Offices and 43 branches as of June 1976.

Approach to Integration

2.2 The approach to integration of the ST and LT co-operative credit wings should aim at ensuring that the cultivators would have to deal with a single agency for their credit needs for both investment loans and production credit with simplified procedures in regard to documentation and less expenditure and time involved in availing of such credit. This would be possible provided a viable co-operative credit structure capable of providing adequate and timely credit to the farmers exists at the field level. The Study Group, therefore, directed itself to consider what could be the appropriate pattern for integration of the two credit wings having regard to the existing organizational set-up and the status of the concerned credit agencies, with particular reference to the three selected districts, so as to clearly assess the feasibility of integration and the possible economies.

Alternatives for Organizational Arrangements

2.3 The following alternatives for evolving an organisational set-up for the integrated co-operative credit structure were considered :

At Village Level

2.4 The LT and ST credit would be routed through the PACS, as against the existing arrangement under which the farmers obtain LT loans from the taluk-level sub-branch of the LDB and the production credit from the PACS.

At Taluk Level

Merger of the taluk-level sub-branches of the LDB with the branches of the CCB.

At District Level

- (i) Merger of the district branch of the LDB with the CCB, or
- (ii) Retaining the existing pattern at the district level.

At Apex Level

- (i) Merger of the SCB and the LDB, or
- (ii) Retaining them as separate entities with well-defined functions, in the context of the integrated structure at the primary and the district levels.

2.5 Keeping in view the above alternatives, the Study Group reviewed the existing status of the co-operative credit structure and examined the organizational and other changes that might become necessary, and assessed the financial and other benefits likely to emerge, in the event of integration.

*Primary Agricultural Credit Societies**Viability*

2.6 The major weakness of the co-operative credit structure in Maharashtra continues to be the existence of a large number of defunct, non-viable and inefficient PACS.

2.7 The MSCB recently collected information regarding the existing PACS in the state (a copy of which is furnished in Statement 5), on the basis of the proforma provided by the RBI. The important aspects revealed by these data are as under :

TABLE I
EXISTING STATUS OF THE PRIMARY AGRICULTURAL CREDIT SOCIETIES
AS ON JUNE 1975

	No. of societies			
	Dormant	Defunct	Active	Total
(i) Poona Division	84	12	4942	5038
(ii) Bombay Division	103	113	4117	4333
(iii) Marathwada Division	6	109	4741	4856
(iv) Nagpur Division	38	9	5695	5742
	<u>231</u>	<u>243</u>	<u>19495</u>	<u>19969</u>

2.8 Though, the number of dormant/defunct societies is negligible, (474), a large number of societies had a loan business of less than Rs 1 lakh as will be seen from the following Table :

TABLE 2

CLASSIFICATION OF SOCIETIES ACCORDING TO THE SIZE OF MAXIMUM LOANS OUTSTANDING DURING 1974-5

Division	Below Rs 50,000	Between Rs 50,000 and Rs 1 lakh	Between Rs 1 lakh and Rs 2 lakhs	Over Rs 2 lakhs	Total
Poona ..	2369	884	814	971	5033
Bombay ..	2189	955	587	602	4333
Marathwada	2194	1418	859	385	4856
Nagpur ..	2782	1593	889	478	5742
	<u>9534</u>	<u>4850</u>	<u>3149</u>	<u>2436</u>	<u>19969</u>

2.9 It will be seen from the above table that a sizeable number of societies are below the viability line.

2.10 In Ahmednagar district, out of 1095 societies, only 273 societies had a business of over Rs 2 lakhs, while in Kolaba and Parbhani districts, only 22 and 74 societies, out of 510 and 924 societies, respectively, had a business of Rs 2 lakhs and above.

2.11 A detailed exercise to determine viability of the societies on the basis of the RBI's recent guidelines has been initiated by the Co-operation Department. However, on the basis of the norm of credit potential (at Rs 125 per ha for dry lands and Rs 250 per ha for irrigated lands), the position of the societies assessed by the MSCB as of June 1975 is as in Table 3, on page 274.

2.12 In the districts selected for special study, the position of viable or potentially viable societies was as in Table 4, on page 274.

2.13 Thus, in Ahmednagar district, while as much as 66 per cent of the societies is viable or potentially viable, the percentage of such societies to the total number of societies in Kolaba and Parbhani Districts is as low as 19 per cent.

2.14 The aggregate credit potential as determined by the CCB recently on the basis of the credit norm of Rs 125 per ha and Rs 250 per ha for unirrigated and irrigated lands, respectively, works out to about Rs 326

TABLE 3

NUMBER OF VIABLE AND POTENTIALLY VIABLE SOCIETIES

Division	Total No. of active societies	Viable	Potentially viable	Total viable/potentially viable	Percentage of viable & potentially viable societies to total societies
Poona ..	4942	1154	1142	2296	46.4
Bombay ..	4117	841	626	1467	35.6
Marathwada	4741	592	1841	2433	51.3
Nagpur ..	5695	498	1885	2381	41.8
Total:	19495*	3085	5494	8577	44.0

*Exclusive of dormant/defunct societies at 474 included in Table 1

TABLE 4

VIABILITY OF SOCIETIES IN DISTRICTS SELECTED FOR STUDY

District	Total No. of societies	Viable societies	Potentially viable	Total viable/potentially viable societies
Ahmednagar	1095	384	339	723
Kolaba	510	20	79	99
Parbhani	924	74	97	171

crores. On the basis of the assumption that each viable society would dispense credit of Rs 2 lakhs and that 50 per cent of the credit potential in the districts would be met by the co-operatives, the number of viable societies required would be about 8,800 as against the existing number of 19,969 societies, (vide Statement 5).

2.15 The credit gap arising on account of poor co-operative structure at the base level is sizeable (Rs 128 crores). For entrusting the LT

loaning business to the PACS, therefore, the re-organization programme should receive priority. The Study Group was informed that the Co-operation Department was expected to complete the process of re-organization of the PACS expeditiously under a time-bound programme. Considering, however, the past experience, the Study Group felt that if the re-organization of the co-operative credit societies does not go through as scheduled and if integration of the two wings is to take place, there could be two possibilities as under:

- (i) In taluks in which a large number of societies have been earmarked for amalgamation/liquidation, the existing sub-branches of the LDB should continue to meet the LT credit needs of the farmers, i.e., the process of integration could be gradual and related to the re-organization of the PACS,

OR

- (ii) The merger of taluk-level branch of the LDB and the CCB's corresponding branch, should be completed without waiting for the re-organization of the PACS and as in the case of the sub-branch of the LDB, the new unit (i.e., CCB's branch) would dispense credit directly to the farmers until the societies are re-organized and LT business is entrusted to them.

2.16 In view of certain significant advantages expected to emerge from the complete integration of the two wings (discussed in later paragraphs), the Study Group felt that it might not be advisable to delay the same pending the re-organization of co-operative credit societies. The Study Group took the view that if appropriate staffing pattern is evolved at the taluk level branch of the CCB, it would be in a position to dispense LT credit directly to the farmers in specific pockets.

2.17 It is true that if the branch of the CCB after the merger continues to dispense LT credit to the farmers directly, the economies and other benefits expected from the merger would take a longer time to materialise; however, in the interest of expediting the re-organization of the PACS, the Study Group felt that the integration should not be postponed. In this context, the Study Group examined the possibility of entrusting the function of dispensing LT credit by the LDB through the PACS *on an agency basis*, but the consensus was that this would not be desirable as the PACS would have no financial stake in the LT lending business and this would jeopardise the quality of lending

and recovery of loans from the borrowers. The Study Group has, therefore, come to the view that, while the process of re-organization of the PACS would continue for some time, the integration of the branches of the CCB and the sub-branches of the LDB could be brought about as the integration would have a beneficial impact on expediting the amalgamation/liquidation of non-viable PACS and, where feasible, lead to the formation of Farmers' Service Societies.

Management of the PACS

2.18 As on 30 June 1975, the number of societies in each division, having full-time paid secretaries, was as in Table 5.

TABLE 5

AS ON 30 JUNE 1975

Division	Total No. of active societies	No. of societies having full-time paid secretaries
1. Poona	4942	3046
2. Bombay	4117	2577
3. Marathwada	4741	1014
4. Nagpur	5695	1215
	<u>19495</u>	<u>7852</u>

2.19 In the three selected districts, the number of societies which had full-time paid secretaries was as under :

TABLE 6

AS ON 30 JUNE 1975

District	Total No. of active societies	No. of societies having full-time paid secretaries
Ahmednagar	1095	517
Kolaba	510	180
Parbhani	924	228

2.20 A large number of the PACS still do not have full-time paid secretaries. As the number of viable and potentially viable societies in the state, on re-organization, would be around 8,600 (see Table 3) as against the existing strength of secretaries in the cadre at around 11,000, it may perhaps be possible to provide each viable and potentially viable society with a full-time paid secretary. However, district/region-wise mobility of secretaries would be difficult to achieve

and it may be necessary to recruit additional secretaries. The benefits of integration could be fully realized provided concurrently with the re-organization of societies, the recruitment and training programme for secretaries is implemented effectively.

2.21 It is clear that until full-time paid secretaries are in position, in the event of the merger of the two wings, the PACS would not be in a position to discharge the new responsibilities and the branches of the CCB would have to attend to the LT loaning business in their areas of operation. This would mean larger operational expenditure for the CCB. The Group noted that the absence of full-time paid secretaries would prove a serious handicap to the programme of integration.

Functions of the Secretary of Integrated PACS

2.22 One critical question in regard to the merger of ST and LT credit wings is, whether the secretary of a PACS, in addition to his existing duties, would be able to effectively discharge the responsibilities relating to LT loaning and whether it would be desirable to place additional load of work on the secretary.

2.23 The Study Group examined this aspect in detail. The existing functions of the societies include: collection of loan applications for production credit, preparation of crop loan statements, disbursement of loans, maintenance of accounts, and recovery of loans with the support of the field staff of the CCB and the Co-operation Department. The studies carried out by the RBI Study Team on Co-operative Credit Institutions in Maharashtra indicated that these functions could be effectively carried out by a full-time paid secretary, provided the area of operation is restricted to a radius of 10 Kms. On entrusting the LT credit function to the societies, the additional responsibilities which would fall on the secretaries would be broadly as under:

- (i) Propaganda and publicity regarding area development schemes.
- (ii) Collection of loan applications.
- (iii) Collection of basic data necessary for loan appraisal at the intermediary level.
- (iv) Preliminary scrutiny of loan applications. The scrutiny would confine itself to ensuring completion of essential formalities including filling up of loan applications and production of essential documents along with it.

- (v) Disbursement of first and subsequent instalments of loans.
- (vi) Routine checks on utilisation of loan instalments (detailed checks to be carried out by the supervisors and technical officers attached to the taluk level branches of CCB).
- (vii) Maintenance of individual accounts of LT loans.
- (viii) Recovery of loan instalments.
- (ix) Preparation and submission of periodical returns to the taluk-level branch of the CCB.

2.24 On the basis of an overall assessment, it is seen that the number of LT loans that may have to be handled by a society would not be more than 10 to 15 per year in each village and the full-time paid secretary, after proper training, would be in a position to discharge the additional responsibilities.

2.25 Under the area development projects (lift irrigation schemes, land shaping under major command area projects, etc.,) where the number of applicants involved will be large, the secretaries of the concerned societies will be assisted by the CCB staff or the special staff attached to the projects. Usually, the government-owned Corporations like the Maharashtra Land Development Corporation, Irrigation Development Corporation or the specially set-up lift irrigation societies provide the services required for collection and scrutiny of loan applications, preparation of statements of cost of work and supervision. The role of the secretary would in these cases be confined to the preparation of loan cases and recoveries as the disbursements under these projects are made directly to the implementing agencies and not to the individual farmers. Special staffing arrangements may have to be evolved, having regard to the volume of business involved in the specific projects.

2.26 The accounting in respect of LT loans is slightly different from that for ST credit since the repayments are effected on an equated instalment basis which involve certain calculations for adjustment of interest and principal. However, since the repayment schedules are expected to be fixed by the branch of the CCB, as is being done by the sub-branch of the LDB, no difficulty is expected in this behalf at the society level. The technical and financial appraisal as also the periodical checks on loan utilization would be carried out by the branch of the CCB by visits to the societies or through periodical returns. Further, the preparation of major projects and their appraisal will be the responsibility of the Head Office of the CCB.

The District Central Co-operative Banks

2.27 The MSCB functions through 26 affiliated CCB, one in each district including the recently established unit for Greater Bombay.

2.28 The total number of branches of all the CCB stood at 1,167 as of December 1975. Generally, in each taluk, there is at least one branch of the CCB which will facilitate integration of the two wings. In taluks where the CCB has more than one branch, it would be necessary to designate the nucleus branch, normally the one at the taluk headquarters, to regulate the LT business. The location of nucleus branch should coincide with the headquarters of the development blocks so that the state government's extension services would be available. For the purpose of operational convenience, the technical staff required for loan appraisal/supervision will be attached to the nucleus branch. The processing of the loan applications and follow-up action in respect of the proposals received from the primary societies could be earmarked, on area basis, to all the branches including the nucleus branch, while the overall technical scrutiny and guidance will be the responsibility of the technical staff at the nucleus branch. The existing organizational chart of a CCB is given in Statement 6.

Resources of the CCB

2.29 The resources of the CCB consist of owned funds (share capital and reserves), deposits, borrowings and other items (subsidiary state partnership fund, accumulated profit and miscellaneous items of liabilities). The position of resources during the last three years, 1973 to 1975, was as under :

TABLE 7
RESOURCES OF THE CENTRAL CO-OPERATIVE BANKS

				Rs Lakhs			
				As on 30 June			Increase over 1973
Particulars				1973	1974	1975	
Owened Funds	..	..	..	3965	4359	5049	1084
Deposits	..	..	..	16816	17722	20161	3345
Borrowings	..	..	..	6135	9004	8423	2288
Others	..	..	..	1587	2045	1392	—195
				28503	33130	35025	6522

Availability of Term Resources in the CCB

2.30 Though the owned funds and deposits of CCB constitute 72 per cent of the resources, the Study Group felt that in the event of integration, additional term-resources would not become available from the CCB for deployment in LT finance on account of the following reasons:

- (i) the requirements of the Banking Regulation Act to maintain the minimum cash balance and liquid resources;
- (ii) the commitments of the CCB for MT loans including conversion facilities;
- (iii) need for making sizeable investments in non-agricultural loans for which reimbursement is not admissible from the RBI; and
- (iv) the obligation of the CCB to meet the claims of the depositors as and when they accrue.

2.31 The Study Group, however, considered that the integrated district bank, with larger working capital and considerable flexibility in the management of funds made possible by deposit resources, loan recoveries, collection of share capital and the general banking business, would be in a position to provide interim resources for the LT business at a lower cost as compared to that in respect of borrowing from outside agencies; the quantum of such assistance would naturally depend upon the position of overdues of the CCB.

Overdues

2.32 As a percentage of outstanding loans, the range of overdues at the CCB was as under:

TABLE 8
OVERDUES OF THE CENTRAL CO-OPERATIVE BANKS

Percentage of overdues to loans outstanding	No. of CCB
Less than 10	Nil
11—15	4
16—25	6
26—35	4
36—50	8
Above 50	3
	—
	25
	—

2.33 As of June 1975, three CCB, viz., Amaravati, Bhandara and Osmanabad had overdues in excess of 60 per cent of the outstanding loans. In view of the heavy overdues position, the RBI did not approve any credit limit for the years 1975-6 and 1976-7 for three CCB, viz., Bhandara, Bhir and Osmanabad. The position of recovery at 11 other CCB is also none too satisfactory. Nine CCB, viz., Amravati, Kolaba, Yeotmal, Bhandara, Bhir, Buldhana, Nagpur, Osmanabad and Nanded, are under the rehabilitation programme drawn up by the GOI, in consultation with the RBI. Under this programme the banks whose bad and doubtful debts, accumulated losses and other overdues over three years together exceed 50 per cent of their owned funds and whose eroded owned funds are less than Rs 25 lakhs, are covered by the scheme. The scrutiny of the loan portfolio of these banks is in progress. The RBI's Study Team observed that the efforts taken so far for recovery of dues left much to be desired and urged upon the MSCB and the state government to provide support and special attention to the recovery performance.

Credit Gaps

2.34 Though the CCB have a strong resources base in the form of owned funds, deposits and borrowing powers, which would be further strengthened in the event of integration with the LT credit wing, the major constraint in the operational efficiency of the CCB would be their high level of overdues. If, therefore, the CCB are to be entrusted with the function of dispensing LT credit, the recovery performance would have to be considerably improved upon; it could be expected that the re-organization of the PACS and the appointment of a full-time paid secretary at each society would go a long way in achieving a better recovery performance. The integration of the two wings, thus, presupposes that a package of measures would have to be taken to streamline the co-operative credit structure.

2.35 RBI's Study Team on Co-operative Credit Institutions in Maharashtra had made an estimate as regards the extent of credit gaps in various blocks and had suggested that the commercial banks should be entrusted with the task of financing societies in 96 blocks in 15 districts. The progress in regard to the implementation of the scheme for financing of co-operative societies by the commercial banks is exceedingly slow. In the process of the re-organisation of the PACS, the scheme for financing the co-operatives by commercial banks should receive a

boost. With the passing of the legislation incorporating the recommendations of the Talwar Committee, the commercial banks could now participate effectively in the sphere of agricultural financing as this would, after the merger of the CCB and the LDB at the district level, ensure a healthy competition among the CCB and the commercial banks.

Maharashtra State Co-operative Bank

2.36 The composition of the resources of the MSCB and their utilization for different purposes are indicated in Table 9.

TABLE 9

SOURCES AND USES OF FUNDS OF MAHARASHTRA STATE CO-OPERATIVE BANK

Particulars	Rs Lakhs		
	1973	1974	1975
SOURCES			
Owned Funds	2463	2866	3305
Deposits ..	12781	15146	16252
Borrowings ..	6002	4082	9800
Miscellaneous	1914	2154	2919
	<u>23160</u>	<u>24248</u>	<u>32276</u>
USES			
Cash & Bank Balances	1448	1662	2424
Investments ..	3933	4392	5021
Advances ..	16461	16919	23369
Sundry Assets ..	1318	1275	500
	<u>23160</u>	<u>24248</u>	<u>32276</u>

2.37 The owned funds constitute over 10 per cent of the working capital. The rates of interest on deposits offered by the MSCB are generally on par with those offered by the leading commercial banks. The depositors include institutional agencies.

Resources

2.38 As in the case of the CCB, the MSCB has sizeable resources in the form of owned funds and deposits. However, the MSCB would not

be in a position to earmark any sizeable term-resources for the long-term investments of the CCB, as both would have to give priority for providing short-term credit needs.

2.39 The RBI's Study Team on Co-operative Credit Institutions in Maharashtra had suggested that the MSCB's commitments in LT loans should be related to the availability of long-term resources and that it should avoid concentration of loans and advances to one sector or industry. On the lines of existing pattern, the arrangements for raising long-term resources would, therefore, continue to be operative.

Maharashtra State Co-operative Land Development Bank

2.40 The important financial particulars of the SLDB are indicated below:

TABLE 10
FINANCIAL POSITION OF THE MAHARASHTRA STATE CO-OPERATIVE
LAND DEVELOPMENT BANK

Particulars	Rs Lakhs	
	As on 30-6-1974	As on 30-6-1975
Share capital	2568	2676
Reserve Fund and other funds	501	628
Debentures outstanding	17667	18221
Overdue interest reserve	2075	1345
Investments for debenture redemption	6453	6554
Loans and advances	14961	14906
Cumulative loss balance	1405	—
Percentage of overdues to demand	44.5	50.0

Loans

2.41 The purposes for which the LDB provides term loans include new wells, improvement of wells, installation of pumpsets, oil engines and financing of tractors, lift irrigation schemes, horticulture schemes, dairy schemes and other allied purposes. The bulk of the LDB's disbursements are for minor irrigation development, which are regulated in accordance with the groundwater potential assessed by the Groundwater Survey and Development Agency. In Maharashtra, according to the preliminary survey, as many as 125 watersheds have been declared as over-exploited. In these villages, no further loans could be made for new

wells and tubewells. In such areas, the SLDB may provide finance for improvement of wells and installation of pumpsets on a restricted scale but there would be hardly any scope for loans for new wells. The assessment of potential for LT loans in these areas, in the context of re-organisation of the primary credit societies, may have to be done having regard to this aspect.

Overdues

2.42 The major weakness of the LT wing had been its heavy overdues position. The recoveries of the SLDB as on 30 June 1976 accounted for 40 per cent of the demand (Rs 52.72 crores) as against 50 per cent of the demand (Rs 45.93 crores) as on 30 June 1975.

2.43 The SLDB has taken several steps to improve the recovery of loans and the state government has vested in the SLDB officers special powers for taking coercive action against the defaulter-borrowers but for which the recoveries would have been still low. The SLDB has set up a committee to examine the norms for assessing the demand under loan instalments fallen due and the extent of bad debts. In the context of the integration of the two wings, the position of overdues may have to be assessed in detail to determine the extent of assets readily realisable and those to be held in the "Collection Account." The question as to how the existing overdues of each of the sub-branch of the SLDB should be treated, for the purpose of the integration may have to be considered by the Committee on Integration, in a larger context having regard to the position obtaining in different states. It is evident that, on merger, the management of the existing loan portfolio will be the responsibility of the ICCB; retaining of separate SLDB units for the purposes of recovery of existing loans will be expensive and, therefore, unnecessary.

Organisational Arrangements

2.44 The SLDB organisation is broadly as under :

Head office	
Divisional offices	(6)
District branches	(26)
Sub-branches	(271)

The organisational charts of the head office, divisional offices, district branches and sub-branches are indicated in Statements 7, 8, 9 and 10

respectively. It will be seen that the HO is divided into four major sections : (i) Administration, (ii) Personnel, Recovery and Inspection, (iii) Technical and (iv) Finance. Each department is under the charge of a Manager. The important functions of the HO are :

- (i) to evolve loaning policy of the bank and to regulate loaning at the district branches;
- (ii) to assess the technical feasibility and financial viability of the bank's loaning programme according to the accepted criteria and exercise supervision over its implementation and follow-up;
- (iii) to arrange resources for financing the programme; and
- (iv) to direct the recovery programme.

2.45 The SLDB functions under the overall direction of the Board of Directors (the present Board is nominated by the state government), which has set up an Executive Committee for sanction of loan proposals and taking decisions on day-to-day matters. The Divisional Offices provide a link between the Head Office and the district branches, supervise the functioning of the district branches and maintain relevant accounts. The important functionaries in the district branch are (i) the District Branch Manager, (ii) Loan Superintendent, (iii) Recovery Officer, and (iv) Chief Accountant. They are assisted by an appropriate number of subordinate staff. The sub-branch functions under a sub-branch manager. The functions of the sub-branch are divided into two major categories—loan appraisals and recoveries, and maintenance of accounts. The sub-branch manager is assisted by the sub-branch accountant, enquiry officer and supervisors.

Study of Selected Societies

2.46 The Study Group made an assessment of the existing relationship between the two wings of the credit structure in three selected districts. The important findings are indicated below.

Coverage of small farmers

2.47 The position of ST loans extended to small farmers in the three districts as on 30 June 1975 and 26 March 1976 was as in Table 11 on page 286.

2.48 The percentage of loans outstanding against small farmers as compared to the total loans outstanding at the CCB level as on 30 June 1975 was 24 per cent in Ahmednagar, 29 per cent in Kolaba and about

TABLE 11

District			Rs Lakhs			
	No. of small farmer khatedars	No. of small farmers enrolled as members	Outstanding loans to small farmers as on		Total loans outstanding at CCB as on	
			30-6-75	26-3-76	30-6-75	26-3-76
Ahmednagar ..	1,24,000	90,164	278.70	281.17	1186.94	1287.88
Kolaba ..	1,19,000	92,665	61.42	33.21	213.01	170.63
Parbhani ..	41,000	32,533	17.31	42.05	230.04	437.75

8 per cent in Parbhani. In Parbhani district, in view of the rainfed cropping pattern, the average size of holding is large and, therefore, the coverage of small farmers appeared to be low.

2.49 During the year 1975-6, out of the aggregate loans of Rs 122.94 crores issued by all CCB, those issued to small farmers amounted to Rs 24.64 crores, i.e., about 20 per cent of the total. The maximum outstandings of the ST loans with the PACS during 1975-6 amounted to Rs 162.56 crores, of which 22 per cent or Rs 36.24 crores were issued to small farmers. The total number of small farmers in the state is estimated at 26.02 lakhs, of which 63 per cent or 16.64 lakh farmers are members of the societies. However, considering the number of small farmers eligible for the loans, 90 per cent of them are reported to have been enrolled as members of the PACS. All CCB except Nasik, Poona and Wardha, fulfilled the Reserve Bank's stipulations regarding the minimum loaning to small farmers.

2.50 As regards LT loans, it was seen that in the area of the selected societies the coverage of small farmers was broadly as given in Table 12.

2.51 The percentage of small farmers to total LT borrowers was 65 in Ahmednagar district, 85 in Kolaba district, and 26 in Parbhani district.

Mutual Credit Support

2.52 It was examined whether the ST borrowers were in a position to secure LT credit and *vice versa* (Statements 11, 12 and 13). The findings are broadly as follows :

TABLE 12

District/Taluk						No. of LT accounts	No. of loans to small farmers on the basis of ARDC norms
Ahmednagar							
(a)	Shrigonda	..	..	..	..	290	132
(b)	Koregaon	..	..	..	..	214	158
Kolaba							
(a)	Mangaon	..	..	..	..	114	79
(b)	Murud	..	..	..	..	278	258
Parbhani							
(a)	Hingoli	..	..	..	..	296	82
(b)	Kalamnuri	..	..	..	..	173	41

- (i) In Shrigonda taluk of Ahmednagar district, out of 708 ST borrowers and 219 LT borrowers in the area of operation of 5 selected societies, 117 LT borrowers had not availed of ST credit, while 107 ST borrowers had availed of LT loans.
- (ii) In Kolaba district, in Mangaon taluk, there were 1183 ST borrowers and 114 LT borrowers. The number of LT borrowers not availing ST loans was 23, while the number of ST borrowers availing LT loans was 97.
- (iii) In Parbhani district, in Kalamnuri taluk, total number of ST and LT borrowers was 432 and 172 respectively. Out of 172 LT borrowers, only 70 borrowers availed of ST loans while 34 ST borrowers availed of LT loans.

The reasons for the poor credit support between the two wings were broadly as under: (i) the borrowers were defaulters to the societies, (ii) repaying capacity was not adequate to support the LT loans, (iii) they had borrowed from the CCB, MT loans for purposes such as pumpsets, etc., or (iv) they had availed of loan facilities from the commercial banks.

2.53 It is seen that as much as 50 per cent of the LT borrowers in the operational area of the selected societies was not receiving ST credit. A broad assessment indicated that the non-availability of ST

credit affected production levels and the repaying capacity of the borrowers, which was one of the major factors responsible for low recoveries of the LDB loans.

2.54 The number of ST borrowers availing of LT loans was also low for a variety of reasons. For instance, in Kolaba district many holdings were already irrigated or were likely to be irrigated by the flow irrigation projects. Further, some borrowers had already installed pumpsets on rivers from the loans received from the Zilla Parishad in the past. In Ahmednagar district, the members of some of the societies from Shrigonda and Koregaon taluks indicated that they could not avail themselves of the LT loans for purposes like minor irrigation and tractors, as the SLDB sub-branches were not in a position to disburse loans due to restricted loaning programme admissible to them on account of poor recovery performance. Besides, many farmers desirous of securing LT loans were defaulters under the ST loans and could not be given loans by the SLDB.

2.55 The Study Group felt that in the context of achieving a minimum loaning business, the major area of development in Maharashtra would continue to be that of groundwater exploitation followed by lift irrigation schemes. Further, as sizeable irrigation potential has been established or is being established in the command areas of major irrigation projects, the scope for LT investments on land shaping has considerably increased. For instance, in Parbhani district, in 4 out of 6 taluks, an area of 1,40,000 ha is expected to be brought under the command of Jayakwadi Project. Concurrently, the potential for ST credit would also substantially increase in the coming years.

2.56 The study in the selected districts indicated that the integration would help in ensuring a better coverage of small farmers and that the borrowers availing of ST credit would get the necessary LT credit and *vice versa*. For the credit agency, integration would make possible a realistic assessment of the borrowers' repaying capacity and the credit needs and smooth and timely recovery of dues. The streamlining of documentation procedures, organisational arrangements for technical appraisal of the project, and close supervision which are feasible under the integrated structure, would speed up the pace of disbursements particularly in the spheres of minor irrigation, land shaping and dairy development.

CHAPTER 3

ORGANISATIONAL ARRANGEMENTS UNDER
INTEGRATED STRUCTURE

3.1 In the context of the proposal to accept the PACS as the single agency at the village level for dispensing both ST and LT credit, the following organisational changes are considered necessary.

Primary Agricultural Credit Societies

3.2 As already discussed, each viable society having a minimum ST credit business of Rs 2 lakhs would be under the charge of a full-time paid secretary. If the business on account of LT credit goes up to Rs 1 lakh, it may be possible for the society to employ a field assistant to assist the secretary. Existing functional distribution of work in the SLDB sub-branch is given in Annexure 1.

3.3 On merger of a sub-branch of the SLDB and a branch of the CCB, the work regarding canvassing and scrutiny of loan applications, spot visits, loan disbursements, maintenance of loan accounts and recovery would be decentralised over a number of PACS and the branches of the CCB within a taluk. In a number of taluks, as already stated, the CCB have more than one branch and, therefore, the functions of a sub-branch of SLDB could be decentralised over all the branches.

3.4 In view of the foregoing, the work presently done by the following staff at the sub-branch of the SLDB need not be done at the nucleus branch of the CCB and broadly the following staff could be considered surplus :

- (i) Sub-branch Manager
- (ii) Accountant
- (iii) 2 Clerks
- (iv) 2 Peons.

3.5 On merger of the sub-branch of the SLDB with the nucleus branch of the CCB, a careful assessment of the staff requirements would have to be made having regard to the business potential both in the spheres of ST credit and LT credit. It is expected that with the re-organisation of the PACS and the merger of the two wings of the

co-operative credit structure, the demand for credit would increase sizeably. Further, in certain taluks, pending re-organisation of the PACS, the branches of the CCB would have to lend directly to the farmers. In such situations, the branches of the CCB may have to retain larger staff. The assessment of surplus staff indicated above has, therefore, to be viewed in the context of the situation obtaining in each taluk. Having regard to the existing credit gaps, the Study Group does expect that the SLDB staff may not have to be retrenched but could be appropriately diverted to other kinds of business within the CCB.

Appointment of Technical Officer at the Branch of the CCB

3.6 Under the present pattern, the technical staff is posted at the district branch of the SLDB. Since, on merger, the LT business is expected to increase, it may be necessary to post an experienced technical hand at the nucleus branch of the CCB to speed up the processing of loan applications. This would increase the expenditure at each branch by Rs 3,000 annually.

3.7 The net saving consequent on the merger of a sub-branch and a branch of the CCB would be around Rs 14,000 per year.¹ Assuming that, on an average, in each district there would be about 10 branches, the total saving works out to Rs 1.40 lakhs per year. It may be stated that while the branch-level staff of the CCB, under the new set-up, would attend to the appraisal of the individual cases and supervision over loan utilisation, the responsibility for identification and formulation of projects and providing technical and financial guidance to the branches would be that of the Head Office of the ICCB. Further, though the technical officers at the nucleus branch of the ICCB would be under the administrative control of the Branch Manager, they would function under the direction of the Chief Technical Officer at the Head office of the ICCB.

Merger of the District Branch of the SLDB and the CCB

3.8 In connection with the merger of the district branch of the SLDB and the CCB, the Study Group felt that since the disbursements of LT

¹In working out the savings, the salary and allowances of different categories of staff have been assumed on an average basis as under: Sub-Branch Manager: Rs. 350 per month, Sub-Branch Accountant: Rs. 300, Clerks: Rs. 250, Peon: Rs. 150. The salary of the Technical Officer has been assumed at Rs. 300 per month.

loans would be made by the PACS and the ICCB and the responsibility of recovery would also vest with the lending agencies, it could not sanction loans exclusively on the basis of the recommendations of the district branch of the SLDB. Since the ICCB and their Boards would have to take the full responsibility in regard to the LT loans, they would also like to have an independent look at the projects formulated by the SLDB. This would suggest that the district branch of the SLDB, if kept distinct from the CCB, would function mostly as an advisory body and, therefore, would not have direct and effective participation in the management of LT loaning business. The district branch of the SLDB, if retained as a separate entity, would be left with the following major functions, viz., (i) project formulation, (ii) overall technical and financial appraisal of the investments, and (iii) post-disbursement scrutiny. On the other hand, if the entire district branch of the LDB were to be integrated with the CCB, not only the required co-ordination would be achieved in the matter of project formulation, appraisal and implementation but also certain financial economies and organizational efficiency would be possible. The Study Group, therefore, felt that it would be advisable to integrate the district branch of the SLDB with the CCB.

3.9 On a review of the existing staffing pattern¹ of both the district branch of SLDB and the CCB and the responsibilities entrusted to various functionaries, the Study Group felt that certain administrative and accounting functions, which would considerably get diluted on account of the decentralization at the primary level, could be handled by the existing staff of the CCB. Broadly, economy could be achieved in the establishment expenditure relating to the posts of assistant district manager (1), chief accountant (1), cashier (1), and a good number of supporting staff, viz., clerks, peons, etc., depending upon the existing levels of business in the two organizations and the potential for further loaning. In regard to the loan sanctions, the workload would not be the same, as certain discretionary powers could be granted to the branch managers of the ICCB and its other senior officials. The existing practice of the district branch of SLDB of referring all loan cases above Rs 30,000 to the head office would no longer be relevant.

3.10 The financial savings likely to accrue on account of the merger of the district branch of the SLDB and the CCB are estimated in later paragraphs, but the more significant aspect which need to be emphasized is that the integration would lead to a strong organizational backing

¹The existing staff position at the district branches of the SLDB is indicated in Annexure 2.

to the development programmes in the districts. The experienced inspection staff of the CCB, with appropriate training, could be oriented to the term lending in diversified activities, for effective supervision over the loaning business, formulation of new projects and recoveries. The existing staff of the SLDB, with appropriate reallocation of functions, could be absorbed in the new set-up which is expected to stem sizeable expansion in both ST and LT disbursements of agricultural credit.

*Organisational Chart for Integrated Unit
at the District Level*

3.11 The organisational pattern of the ICCB at the head office and the branches would have to be modified to effectively discharge the responsibilities to be entrusted to them after the integration. A chart suggesting a broad organizational pattern in the district office of the ICCB and its nucleus branch is given in Statement 14. It will be seen from the chart that at the district level, a senior official would be in charge of the project preparation, appraisal and follow-up, management information and co-ordination with the concerned government departments.

*Merger of the Head Office/Divisional Offices
of the SLDB and the SCB*

3.12 The CCB are independent corporate bodies with distinct accountability in regard to all their operations unlike the district branches of the SLDB. On merger of its district branches and the CCB, it is inevitable that the existing organizational set-up of the SLDB's head office would undergo significant modifications. The SLDB would have to shed many of its functions, such as appraisal and sanction of individual loan proposals (lift irrigation schemes, tractor loans, etc.), direct supervision over the recovery work, administration and personnel management of the district branches, as these will be attended to by the ICCB. The Study Group felt that in view of the MSCB's active involvement in the sphere of ST agricultural credit, financing of other co-operatives as also its normal banking functions, it may not be advisable at this stage, to burden it with additional responsibilities of raising long-term resources as also the project preparation and appraisal. The SLDB may have, therefore, to re-organize itself as an agency at the state level, concerned with the formulation and appraisal of the projects, providing consultancy services, raising of long-term resources and supervision over loan utilization and recovery effort. A system

could be evolved under which LT loaning of the ICCB would require prior clearance of the SLDB or to ensure that such loaning conforms to the discipline laid down by it. The role expected to be played by the SLDB after the integration of the two credit wings is, in a sense, not new to it since these were precisely its activities under the erstwhile federal set-up.

3.13 The Study Group considered whether the existing divisional offices should be continued after the merger at the district level and took the view that a good number of administrative staff would be rendered surplus, even if, for operational convenience of the SLDB, these units were not merged with the ICCB. As, after the merger, the technical cells at the district level would have to be considerably strengthened, some of the technical/administrative staff at the divisional offices could be absorbed by the ICCB.

3.14 The Study Group recognised that the merger of the sub-branches and district branches of the SLDB and the CCB would lead to certain operational problems particularly in connection with absorption of the staff and rationalization of pay-scales, etc., which are inevitable in the kind of unification of two different institutions, envisaged under these proposals.

CHAPTER 4

FINANCIAL BENEFITS FROM INTEGRATION

Management of Funds and Cost of Administration

4.1 The financial benefits and the savings in the cost of administration of credit, as a result of integration, would be significant as discussed below.

Working Capital

4.2 After the merger of the district branches of the SLDB and the CCB, the working capital of the new units would substantially increase.

4.3 The aggregate resources of the CCB as on 30 June 1975 amounted to Rs 350 crores comprising owned funds, deposits, borrowings and other items; the internal resources (comprising share capital, reserves and deposits) accounted for as much as 72 per cent of the total resources as on 30 June 1975. The cash and bank balances as on 30 June 1975 stood at Rs 17.35 crores. The percentage of borrowings to total resources varied from region to region; it was 11 per cent in the coastal districts, 28 per cent in Western Maharashtra, 43 per cent in Marathwada and 15 per cent in Vidarbha. With the availability of sizeable internal resources as discussed above, the integrated institution shall have a greater flexibility in the management of funds. Presently, in order to meet the interim financial requirements of its district branches, the SLDB's head office is required to arrange temporary accommodation at the normal rate of interest. In the event of merger, this arrangement would be largely unnecessary. The availability of interim resources at the level of ICCB, however, would have to be viewed in the context of the credit gaps in several districts and inadequate coverage of farmers in the co-operative sector, on account of organizational and financial weaknesses of the PACS. With the merger of the two wings, backed by the re-organization of the PACS, the demand for ST/MT credit is expected to increase substantially. Moreover, if the ICCB have heavy overdues, the availability of interim resources for LT credit would be restricted. In Maharashtra, the position in this behalf varies from district to district but broadly, the reliance for interim resources on outside agencies for LT business, would be much less than the existing limit of Rs 7.5 crores enjoyed by the SLDB. This would achieve a saving in the cost of funds presently borne by the LT credit structure. In 1973-4, the SLDB paid interest of Rs 10 lakhs on interim accommodation while such interest payment was lower at Rs 0.22 lakh during 1974-5.

Cost of Borrowings

4.4 Generally, the MSCB retains a margin of 1.25 per cent, the CCB of 2 per cent and the PACS of 3 per cent. No change is envisaged in the pattern of interest rate structure in respect of ST credit. In regard to LT credit, the SLDB gets an average margin of 3 per cent to 3.5 per cent on its borrowings inclusive of the cost of interim accommodation obtained from the MSCB. At present, there is no specific allocation of margin between the SLDB and its district branches but prior to the merger of the PLDB, the margin used to be shared as 1.25 per cent for LDB and 1.75 per cent for the PLDB. Under the

modified set-up after the merger of the district branches, the cost of management at the head office of the SLDB would be considerably reduced and on a broad assessment, a margin of 1 per cent on the loans would be adequate for the SLDB's operations. This would leave a margin of 2 per cent over LT borrowings for the ICCB which could be shared equally by the ICCB and the PACS. The Study Group considered that since the viability of a PACS would be ensured with reference to the minimum ST loan business of Rs 2 lakhs, it would be in a position to support itself with a margin of 1 per cent on the LT lending business. With the increase in the volume of LT business, say upto Rs 1 lakh, it may be possible for the society to appoint a field assistant to attend to the verification of loan utilisation and recovery of loan instalments. In the case of ICCB, the Study Group made a broad assessment of the additional expenditure likely to be incurred on the staff to be taken over from the SLDB at the taluk level as well as at the district level and on the work related to LT business and considered that one per cent margin would be adequate. In taluks in which the PACS have not been re-organised and the ICCB may have to undertake direct loaning to farmers, the entire margin of 2 per cent would be available to the ICCB, thus, facilitating deployment of additional staff to attend to the responsibilities to be normally entrusted to the societies. The Study Group also came to the conclusion that integration would not lead to enhancement of rate of interest on LT loans at the farmer's level, although it would lead to three-tier structure as against the existing unitary arrangement; the existing margin would, as pointed out earlier, be adequate to meet the expenditure at all the three levels.

Linking of Shareholding with Loans

4.5 The existing pattern of obtaining the minimum share capital contribution of 10 per cent of the loan amount from the LT borrowers may have to continue in order to build up owned funds to provide a cushion for possible overdues. Under the revised set-up, the borrowers would subscribe to the share capital of the PACS. An arrangement may have to be evolved under which a certain percentage of share capital is passed on by the societies to the ICCB and by the ICCB to the apex LDB to establish the linking of LT loans with share capital at all levels. Under the new set-up, therefore, the owned funds of the society would increase corresponding to the size of LT business and this would improve its working capital and profitability. If, however, the ICCB's taluk level branches extend loans to farmers directly, pending re-organization of the concerned PACS, the share capital contribution to be retained by the PACS and the ICCB, would be retained

exclusively by the ICCB. The Committee on Integration may like to examine, in the context of the pattern obtaining in other states, the arrangements for allocation of share capital contribution by the borrowers availing of LT loans among the three agencies, viz., the PACS, the ICCB and the SLDB.

Cost of Management

4.6 No changes in the existing organizational arrangements for ST credit structure are envisaged. However, in the case of LT credit structure certain economies could be achieved in regard to the establishment expenditure on staff as can be seen from the following.

(i) At the Taluk Level

4.7 It is envisaged that on the merger of the sub-branch of the SLDB and the branch of the CCB, it may be possible to reduce expenditure on staff to the extent of Rs 17,000. An additional technical hand at the taluk level branch of the ICCB would involve an expenditure of Rs 3,000 per annum. A net saving, consequent upon the merger of the sub-branch is estimated at Rs 14,000, or on the basis of an average number of 10 branches, Rs 1.40 lakhs for a district. Besides the expenditure on staff, considerable savings would accrue on account of lower travelling and related expenses of the operational staff. The trips from the taluk headquarters to the distant villages will be less frequent than under the existing pattern.

(ii) At the District Level

4.8 (a) The savings on account of staff expected to be rendered surplus is estimated at Rs. 8,000 per year. The staff includes (i) assistant district manager, (ii) chief accountant, (iii) cashier, and (iv) record keepers (2). The financial savings likely to accrue on account of some of the supporting staff (viz, clerks/record keepers/peons) being rendered surplus, have not been reckoned as the position in this behalf would differ from district to district depending upon the volume of business to be handled by the integrated unit.

(b) The expenditure on travelling by the staff of the SLDB's district branch and sub-branches presently ranges around Rs 1 lakh. With the entrusting of loaning work to the PACS and the branches of the ICCB at the taluk level, it may be possible to reduce the expenditure on travelling. Under the new arrangement, the touring officials would

attend to both the existing work of the CCB as well as that connected with the LT credit. The tours could be organized in such a way that as many items of work as possible such as checking of crop loan statements, internal audit of taluk branches, recoveries under both ST and LT loaning could be co-ordinated. On an *ad hoc* basis, it could be stated that as much as 50 per cent of the expenditure, i.e., about Rs 50,000 would be saved. Besides, saving on fuel expenses would, on an average, be about Rs 50,000 as against the current expenditure of Rs 1 lakh.

(c) On merger, the existing Advisory Boards set up for the management of the SLDB's district branch need not exist, which would result in saving of expenditure of about Rs 10,000 annually. Besides, the travelling expenses of the members of the Advisory Boards generally work out to Rs 40,000 to Rs 50,000. A broad-based Management Board of the ICCB and a compact taluk level advisory committee should be in a position to effectively look after all the credit business including LT loans. It could be assumed that at least 50 per cent of this expenditure or Rs 25,000 at each district branch could be saved.

(d) A saving of the order of Rs 40,000 could be achieved at the sub-branches and district branches of the SLDB on account of office rent, telephones, electricity bills, etc.

4.9 The aggregate financial savings on account of proper deployment of staff, travelling allowances and sitting fees to directors, travelling expenditure on staff, premises, telephones, fuel, etc., would work out to about Rs 3,25,000. For the state as a whole, the cost of dispensing LT credit at the district level could be reduced by about Rs 75 lakhs or so per annum.

Financial Saving at the Apex Level

4.10 In the context of the modified functions of the SLDB after the merger of its district branches with the ICCB, sizeable savings could be effected on expenditure on staff and travelling and other allowances at its head office. During 1974-5, the cost of establishment at the head office was about Rs 30 lakhs.

4.11 The foregoing analysis would indicate that on account of the economies on establishment expenditure and cost of borrowings, the overall cost on the administration of the LT credit could be sizeably reduced. Besides, the expenditure of the Co-operation Department on supervision over the credit institutions and the staff made available to them for recovery of loans would also be considerably brought down.

CHAPTER 5

CONCLUSIONS

5.1 (i) The Study Group has come to the conclusion, on the basis of the field studies carried out in the three selected districts, viz., Ahmednagar, Kolaba and Parbhani and the available information, that the integration of the ST and LT co-operative wings at the primary level would be beneficial in many respects, viz., (a) the cultivators can deal with a single agency for their credit needs for both investment and production credit; (b) for the credit agencies, integration would enable them to make a realistic assessment of the borrowers' repaying capacity and credit needs and facilitate smooth and timely recovery of dues; (c) integration would make possible the streamlining of documentation procedures, decentralization of arrangements for technical appraisals and close supervision over loan utilization; and (d) integrated loaning would speed up the pace of development in the operational areas of the PACS.

(ii) Integration at the primary level may be initiated by merger of the taluk level sub-branches of the SLDB and the branches of the CCB within the respective taluks; for the purpose of merger, a nucleus branch of the ICCB normally located at the taluk headquarters may be chosen.

5.2 The Study Group felt that the proposal by which the taluk level sub-branches of the SLDB would extend LT credit through the PACS on an agency basis would not be feasible as the PACS would not have any stake in the investment; this arrangement would further jeopardise the quality of loaning and recovery of loans.

5.3 At the middle level, the district branch of the SLDB and the CCB be integrated in view of the sizeable financial savings in establishment expenditure and organizational efficiencies likely to be achieved on integration. Since the disbursements of LT loans will be made by the PACS and the ICCB and the responsibility of recovery should also vest with the societies and the ICCB, it would not be reasonable to expect them to take decisions exclusively on the basis of the recommendations of the district branch of the SLDB. The SLDB's district units, if retained as separate entities, may function merely as advisory bodies and will not be in a position to play an effective role in directing the agricultural development in the districts. The integration of the district level institutions would bring about sizeable savings in the cost of administration of credit.

5.4 Although there are certain distinct advantages in effecting merger of the apex LDB with the MSCB, in view of the existing commitments of the MSCB and having regard to its present administrative and financial arrangements it may not be advisable to entrust to it, at this stage, the functions relating to the LT credit.

5.5 The benefits of integration could be realized provided a viable co-operative credit structure capable of providing adequate and timely credit to the farmers exists at the field level.

5.6 In order to make the integration of the two credit wings effective, priority would have to be given to re-organize the PACS and amalgamate/liquidate societies which are not viable or not likely to become potentially viable.

5.7 The need to re-organize the PACS is also emphasized in view of the fact that on the basis of accepted norm for ST credit there is a large credit gap of about Rs 128 crores.

5.8 In view of the past experience that the re-organization of the PACS might take time, despite the active efforts that will be taken by the concerned agencies, integration of ST and LT credit wings might not be delayed and, in areas of operation of the PACS under re-organization, the branches of the CCB should lend directly to the farmers in respect of their LT credit requirements.

5.9 In view of the proposal to entrust the LT credit business to the societies, it is important to ensure that each society is managed by a full-time paid secretary duly oriented for the responsibilities to be entrusted to him. Concurrently with the re-organization of the credit structure, therefore, steps will have to be taken to recruit and impart appropriate training to the secretaries of the PACS.

5.10 The Group considered the question whether at the primary level the secretary of a PACS would, in addition to his existing duties, be in a position to discharge the responsibilities relating to term loaning and whether it would be desirable to place this additional responsibility on the secretary. The Group came to the conclusion that the additional responsibilities could be shouldered by the secretary without adversely affecting his existing responsibilities.

5.11 The Group felt that on merger, no additional long-term funds would become available from the ICCB for investments in LT business.

However, interim funds would be available for meeting the commitments under LT credit thus reducing the cost of ST borrowings from outside credit institutions.

5.12 The Group felt that after re-organization of the PACS and with the posting of a full-time paid secretary at each society, integration of the ST and LT wings would go a long way in achieving better recovery performance.

5.13 The commercial banks would continue to have a special role to play even after the merger of the two credit wings. In view of the large credit gaps already existing and the time likely to be taken to re-organize the PACS, the scheme for adoption of the PACS by commercial banks should be continued and implemented expeditiously.

5.14 Even after the merger, the MSCB might have to continue to concentrate on providing ST credit for agriculture and allied activities and as in the case of CCB, would not be in a position to earmark any sizeable term resources for LT investments.

5.15 The major weakness of the LT wing had been its heavy overdues position. The question as to how the overdues of each of the sub-branch of the SLDB should be treated on its merger with the branch of an ICCB, may have to be considered by the Committee on Integration in a larger context, having regard to the position obtaining in different states.

5.16 The findings of the field studies carried out in the three selected districts indicate that, on integration, the coverage of small/marginal farmers by the co-operative sector would significantly improve. A notable feature was that a large number of LT borrowers did not avail of ST credit.

5.17 On merger of the district branches and sub-branches of the SLDB with the ICCB a certain number of staff would be rendered surplus. Further, there would be considerable saving on account of expenditure on travelling, vehicles, fuel and expenses of the Advisory Boards. On an average, a saving of Rs 3 lakhs per district or about Rs 75 lakhs for 25 districts has been estimated. There would also be saving in the establishment cost at the head office of the SLDB.

5.18 Among other financial benefits, the more significant are (a) availability of a larger working capital and (b) slightly lower cost on interim borrowings. Besides these, the expenditure of the Co-operation Department on supervision of the credit institutions and recovery of loans would be considerably reduced.

5.19 Although, on merger, the District Advisory Boards of the SLDB would formally cease to function, the ICCB might consider organizing compact Advisory Committees at the taluk level which would function under the overall direction of the Board of Directors of the ICCB, in order to benefit from the local experience and leadership in regard to both LT and ST loaning business.

5.20 The existing system of linking shareholding with borrowing for LT loans should continue with appropriate allocation between the PACS, the ICCB and the SLDB. Such allocation would take care of the overdues that would be absorbed and the borrowing powers needed at each of the three tiers.

5.21 The cost of the LT credit at the farmers' level is not expected to increase on account of integration. The margin between the cost of borrowings at the SLDB and the ultimate lending rate might continue at 3 per cent to be shared equally by the SLDB, the ICCB and the PACS. A broad analysis indicates that the proposed margin would be adequate to meet the cost involved in the administration of credit. If, in the operational area of the PACS requiring re-organization, the CCB lends directly to farmers, it would retain the interest margin of 2 per cent as well as the amount collected by way of share capital which would otherwise have been retained by the PACS.

5.22 A system could be evolved under which LT loaning of the ICCB would require prior clearance of the SLDB or to ensure that such loaning conforms to the discipline laid down by it. The role expected to be played by the SLDB after integration of the two credit wings up to the district level is not new to it since similar were its functions under its erstwhile federal set-up, under which the affiliated PLDB were separate entities.

5.23 The staff at the existing six divisional offices of the SLDB could mostly be absorbed in the ICCB.

5.24 The merger of sub-branches and district branches of the SLDB would lead to certain operational problems, particularly in connection with absorption of staff, but these are inevitable on account of the unification of the two institutions envisaged under the proposed integration.

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26 July 1976

ANNEXURE 1

EXISTING FUNCTIONAL DISTRIBUTION OF WORK IN THE SLDB SUB-BRANCH

The functions of a sub-branch of the SLDB at the taluk level are as under :

- (i) Collection and scrutiny of loan applications.
- (ii) Appraisal and disbursement of loan instalments.
- (iii) Supervision over loan utilisation.
- (iv) Recovery of loan instalments.

Broadly, the duties of staff members attached to a sub-branch are as under :

Sub-branch Manager (1)

The Sub-branch Manager is expected to exercise control and supervision over the working of the branch, approve disbursements of loans in respect of proposals sanctioned by the district branch and within his discretionary powers, for oil engines and electric motors, verification of loan cases, verification of mortgage bonds, initiate coercive action against defaulters who have misused the loans.

Enquiry Officer (1)

The Enquiry Officer of the sub-branch is the main field officer at the sub-branch level and looks after both loaning and recovery. He is primarily responsible for maintenance of various registers pertaining to certification of loan utilisation, completion of work and other allied matters. Generally for every 800 accounts, one supervisor is posted.

Sub-branch Accountant (1)

The Sub-branch Accountant is responsible for all the accounts work at the sub-branch and is assisted by two clerks.

Supervisors (2)

The supervisors are responsible for collection of loan applications and effective supervision over loans for timely recovery from the borrowers in his jurisdiction. Each supervisor is allotted specific villages for collection of loan applications and the follow-up action.

The staffing pattern at the sub-branch of the SLDB is broadly as under :

<i>Sub-Branch Manager</i>			
Accounts Section		Loan Applications & Recoveries Section	
Sub-branch Accountant	.. 1	Enquiry Officer	.. 1
Clerks/Cashier	2	Clerks	2
Peons	2	Supervisors	.. 2

ANNEXURE 2

EXISTING STAFF POSITION AT THE DISTRICT BRANCHES OF SLDB

In the context of the merger of the district units, the functions of the staff at the district branch of the SLDB are reviewed below:

District Branch Manager

The District Branch Manager is responsible for the overall working of the branch and the sub-branches, scrutiny of loan cases for sanction by the District Branch Advisory Committee, inspection and verification of at least 100 loan cases per year, implementation of the loaning programme indicated by the head office, periodical inspections of sub-branches and management of funds at the district level.

Assistant Branch Manager

The Assistant Branch Manager assists the Branch Manager in all his functions and is responsible for correspondence and other matters.

District Branch Accountant

The District Branch Accountant is responsible for accounts matters, management of funds, proper maintenance of books of accounts and submission of the requisite returns to the head office.

District Loan Superintendent

The District Loan Superintendent is responsible for quick and proper disposal of the loan applications. He is expected to scrutinise the loan cases in all respects and ensure observance of all procedures relating to the loaning. The correspondence with the sub-branches regarding the loan sanction is attended to by him.

Technical Officers

The Technical Officers include agricultural officers and engineers. They are under administrative control of the District Branch Manager but are responsible to the Chief Technical Officer at the head office. All instructions pertaining to the technical matters are received by them from the Chief Technical Officer. The Technical Officers ensure that the loaning targets fixed for the district are fulfilled and that the programme proceeds on the sound lines. They are expected to be in constant touch with the sub-branches and keep a watch on the processing of loan applications. They assist the Enquiry Officers at the sub-branch level to complete the enquiry and appraisal procedures and other matters. The Technical Officers are also responsible for formulation and appraisal of lift irrigation schemes and periodical inspection of loan cases. In the event of integration, experienced technical staff, capable of ensuring compliance with the technical requirements at all levels, will have to be appointed at the CCB, as the Chief Technical Officer of the SLDB, after the merger, would provide only overall guidance and the decisions on loan sanctions would be taken by the CCB on the recommendations of its own technical staff.

Recovery Officers

The Recovery Officer is responsible for gearing up the recovery machinery of the district and is in charge of the recovery programme of the branch.

The above officers are assisted by the clerical staff as required in accordance with the staffing pattern indicated in Statement 9.

STATEMENT 1

GENERAL PARTICULARS OF THE DISTRICTS SELECTED FOR STUDY

Sr. No.	Item	Ahmednagar	Kolaba	Parbhani			
1.	Area in square kilometres	16,762	7,198	19,489			
2.	Total population (in lakhs)	22.69	12.63	15.07			
3.	Of which, rural (in lakhs)	20.18	11.10	12.65			
4.	No. of Tehsils	13	14	8			
5.	No. of blocks	13	14	8			
6.	No. of centres with population exceeding 10,000	13	8	12			
7.	No. of villages	1,312	1,766	1,577			
8.	Area under cultivation (in lakh ha)	13.24	1.89	9.37			
9.	Of which, area irrigated (in lakh ha)	1.48	0.05	0.26			
10.	Area under different crops (in ha)						
(a)	Paddy	7,752	1,36,665	11,715			
(b)	Wheat	46,576	—	54,885			
(c)	Other food crops	8,81,519	29,678	4,11,228			
(d)	Sugarcane	38,798	—	—			
(e)	Cotton	28,954	—	2,29,011			
(f)	Other cash crops (groundnut, potato, etc.)	21,275	—	1,39,771			
(g)	Horticulture (coconut & arecanut, fruits and vegetables)	—	22,646	—			
11.	Size-wise distribution of holdings:	No.	Area	No.	Area	No.	Area
(a)	2.5 acres and less	67295*	118601*	93094	102322	16583	25500
(b)	More than 2.5 acres but less than 5 acres	51678†	303601†	37022	131820	24634	92500
(c)	More than 5 acres but less than 7.5 acres	49264	295302	28322	198254	23275	136800
(d)	More than 7.5 acres but less than 10 acres	52130	431547	14337	143222	20745	186072
(e)	More than 10 acres	100208	1925124	7332	269277	98242	2246590

* 3 acres and less.

† More than 3 acres but less than 5 acres.

STATE

SALIENT FEATURES OF THE PACS

As on

Sr. No.	Name of the Society	Total membership	Share capital	Govt. share contribution, if any	Reserves and other funds	Members' deposits
1	2	3	4	5	6	7
1.	Wadgaon	91	67.00	2.50	8.00	3.30
2.	Shingave	340	13.56	—	21.00	3.70
3.	Ukadgaon	155	65.89	1.50	22.50	4.66
4.	Ranjangaon (Khd) . .	330	396.30	—	237.40	224.30
5.	Brahmangaon	150	247.80	—	46.50	129.60
6.	Pargaon	150	63.16	1.50	21.18	1.50
7.	Ghargaon	158	40.40	—	1.00	—
8.	Adhalgaon	199	63.86	—	5.54	—
9.	Kokangaon	75	78.92	—	19.74	0.20
10.	Nimgaon Khalu	130	44.12	—	13.12	7.28

MENT 2(a)

IN AHMEDNAGAR DISTRICT

30 JUNE 1975

Rs Thousands

Borrowings	Cash on hand & Bank balance	Deposits with Bank	Invest- ments	Loans issued during the year 1974-5	Loans out- stand- ing	Over- dues	Whether full-time paid secretary available
8	9	10	11	12	13	14	15
72.50	2.70	4.60	10.30	68.20	144.00	94	Yes
230.60	5.57	9.25	29.00	56.53	396.00	304	„
164.30	0.10	9.50	5.60	96.31	234.00	173	„
670.00	2.00	304.20	83.00	366.40	1162.00	613	„
282.40	11.50	66.10	89.00	407.78	465.36	215	„
247.60	8.30	3.40	14.70	213.60	310.72	23	„
131.12	2.25	—	4.15	44.63	172.44	128	No
211.77	0.50	2.00	14.60	222.20	262.00	66	Yes
300.00	0.50	3.28	16.00	N.A. (296.00)	383.55	92	„
286.00	0.50	0.30	25.60	68.52	310.40	140	„

STATE

SALIENT FEATURES OF THE PACS
AS ON

Sr. No.	Name of the Society	Total membership	Share capital	Govt. share contribution, if any	Reserves and other funds	Members' deposits
1	2	3	4	5	6	7
1.	Warasgaon Sambhe	259	45.38	—	1.60	—
2.	Tise ..	236	42.00	2.50	2.00	—
3.	Roha	138	22.00	3.00	1.70	—
4.	Roth warse	120	12.20	—	0.70	—
5.	Muthawali (Bk)	429	60.72	5.00	24.60	—
6.	Kharamboli	357	66.80	15.00	7.40	—
7.	Agardanda ..	179	39.90	1.50	4.30	—
8.	Nandgaon ..	184	49.20	4.00	0.70	—
9.	Majgaon	196	47.80	4.00	8.90	—
10.	Samata Seva Sahakari Society	35	16.00	—	0.65	—

MENT 2(b)

IN KOLABA DISTRICT
30 JUNE 1975

Rs Thousands

Borrowings	Cash on hand & Bank balance	Deposits with Bank	Invest- ments	Loans issued during the year 1974-5	Loans out- stand- ing	Over- dues	Whether full-time paid secretary available
8	9	10	11	12	13	14	15
256.80	0.66	9.60	16.10	205.92	245.12	144.00	Yes
91.60	6.70	2.30	10.90	65.73	104.57	47.00	Group Secretary
56.00	0.05	2.70	7.00	—	76.40	70.00	—do—
68.00	0.02	1.03	4.60	15.60	63.03	36.00	—do—
150.90	3.80	6.00	14.40	N.A.	189.50	76.00	—do—
226.60	3.45	3.34	16.30	92.00	230.40	64.00	—do—
90.66	2.35	0.84	8.18	73.32	119.11	20.00	—do—
126.74	0.60	0.80	19.00	82.14	143.32	25.00	—do—
64.80	0.10	3.80	13.00	21.48	88.40	39.00	—do—
17.10	2.05	0.90	3.50	13.67	21.29	1.00	—do—

STATE

SALIENT FEATURES OF THE PACS

AS ON

Sr. No.	Name of the Society	Total membership	Share capital	Govt. share contribution, if any	Reserves and other funds	Members' deposits
1	2	3	4	5	6	7
1.	Aundha Nagnath ..	263	39.17	3.50	0.63	0.65
2.	Ychalegaon ..	551	109.10	10.00	25.23	0.60
3.	Malhivara ..	149	36.61	5.00	7.00	1.49
4.	Hingoli	436	40.75	—	9.50	0.40
5.	Jaipur-Malselu	171	31.96	4.00	3.00	1.00
6.	Vakodi	331	43.53	—	11.00	—
7.	Dongargaon Pul	195	47.60	—	3.50	1.80
8.	Akhadabalapur	219	20.20	3.00	1.10	0.31
9.	Kalamnuri ..	312	43.40	5.00	11.00	—
10.	Shewala	411	34.70	2.50	3.50	0.75

MENT 2(c)

IN PARBHANI DISTRICT

30 JUNE 1975

Rs Thousands

Borrowings	Cash on hand & Bank balance	Deposits with Bank	Invest- ments	Loans issued during the year 1974-5	Loans out- stand- ing	Over- dues	Whether full-time paid secretary available
8	9	10	11	12	13	14	15
129.70	1.60	—	17.40	N.A.	153.52	N.A.	Group Secretary
496.98	4.00	13.00	52.00	N.A.	457.84	N.A.	Yes, Full- time Secretary
77.88	17.40	5.00	14.00	N.A.	99.15	N.A.	Group Secretary
188.76	2.20	2.00	23.70	N.A.	212.65	N.A.	—do—
94.94	5.00	0.70	12.50	N.A.	99.30	N.A.	—do—
256.34	—	5.60	22.15	N.A.	265.10	N.A.	—do—
123.60	1.30	2.00	23.00	N.A.	151.50	N.A.	—do—
87.13	0.50	1.20	12.00	N.A.	89.50	N.A.	—do—
116.00	0.80	7.50	19.20	N.A.	183.10	N.A.	—do—
132.40	4.20	3.10	21.90	N.A.	122.60	N.A.	—do—

STATEMENT 3

PARTICULARS OF THE SELECTED DISTRICT CENTRAL CO-OPERATIVE BANKS
AS ON 30 JUNE 1975

Rs Lakhs

Sr. No.	Item	Ahmednagar	Kolaba	Parbhani
1.	Paid-up share capital ..	281.18	64.14	135.11
2.	Statutory reserve ..	64.33	3.80	13.45
3.	Other reserves and funds ..	140.92	13.08	40.62
4.	Deposits	1885.68	390.81	500.19
5.	Borrowings	1624.13	171.76	268.81
6.	Cash on hand	48.01	13.55	20.95
7.	Balances in current account with banks	139.41	24.66	23.83
8.	Call and fixed deposits ..	441.09	64.22	82.26
9.	Investments in government and trustee securities	208.57	41.47	28.43
10.	Other investments	—	7.21	19.57
11.	Loans and advances			
	(a) Short-term agricultural	1241.72	214.10	395.61
	(b) Medium-term agricultural	172.65	13.60	5.16
	(c) Medium-term conversion	307.90	86.02*	325.70
	(d) Loans to other societies	1402.59	161.62	72.32
	(e) Loans to individuals	18.08	14.94	4.77
	(f) Total loans	3142.94	490.28	803.56
12.	Buildings and other fixed assets ..	28.19	6.98	6.12
13.	Accumulated profit (+) or loss (—)	(+)61.62	(+)1.12	(—)18.15

*Includes MT rehabilitation and rephasement loans also.

STATEMENT 4

PARTICULARS OF THE STATE LAND DEVELOPMENT BANK'S BRANCHES
AS ON 30 JUNE 1975

Rs Lakhs

Sr. No.	Item	Ahmednagar	Kolaba	Parbhani
1.	No. of branches	15*	8*	10*
2.	Paid-up share capital ..	127.68	15.13	71.24
3.	Reserves	—	—	—
4.	Deposits	—	—	—
5.	Borrowings from head office	720.74	89.95	451.82
6.	Particulars of loans & advances			
	(i) No. of indebted members	47,591	8,559	N.A.
	(ii) Amount	923.60	99.56	520.64
	(iii) Purposes			
	(a) Minor irrigation (wells, .. pumpsets)	842.65	40.05	500.62
	(b) Land levelling, bunding, .. fencing, etc.	—	43.54	—
	(c) Orchards and Plantations ..	—	3.49	—
	(d) Tractors/power tillers ..	36.15	5.52	20.02
	(e) Other productive purposes	44.80	5.69	—
	(f) Non-productive purposes ..	—	1.27	—
7.	No. of branches working at profit ..	—	—	—
8.	Amount of profit for 1974-5 ..	—	—	—
9.	No. of branches working at loss ..	—	—	—
10.	Amount of loss for 1974-5	—	—	—

*Including sub-branches.

STATEMENT 5
VIABILITY/POTENTIAL VIABILITY OF THE PACS
AS ON 30-6-1975

Name of the CCB	No. of talukas	No. of villages	No. of primary societies			No. of societies according to size of maximum loan outstanding during 1974-5				Credit* potential (Rs Lakhs)	No. of societies required if 50% of credit is to be supplied by PACS @Rs. 2 lakhs per society	No. of societies which are already		No. of societies having full-time paid secretaries
			Dor-mant	De-funct	Active	Below Rs. 50,000	Between Rs. 50,000 and Rs. 1 lakh	Between Rs. 1 lakh and Rs. 2 lakhs	Over Rs. 2 lakhs			Viable as per revised norms	Poten-tially viable as per revised norms	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
POONA DIVISION														
1. Ahmednagar	13	1323	—	—	1095	507	151	164	273	4064.50	1016	384	339	517
2. Kolhapur	12	1098	35	—	841	272	162	158	284	2951.81	742	277	209	876
3. Poona	13	1332	8	2	850	478	112	203	67	1436.99	715	67	206	436
4. Sangli ..	8	543	—	—	519	101	96	118	204	148.28	519	180	N.A.	368
5. Satara	11	1167	13	—	756	309	195	156	109	831.31	210	212	237	769
6. Sholapur	11	751	28	10	881	702	168	15	34	1592.45	393	34	151	80
	68	6214	84	12	4942	2369	884	814	971	11025.34	3595	1154	1142	3046

BOMBAY DIVISION

7. Dhulia ..	10	1371	28	61	666	196	224	181	154	1153.59	255	353	197	636
8. Jalgaon ..	13	2000	22	—	835	259	252	130	216	2104.13	243	237	N.A.	601
9. Kolaba ..	14	1766	14	—	510	373	88	41	22	242.86	114	20	79	180
10. Nasik ..	13	1628	3	—	978	366	237	192	186	4967.40	1095	186	237	916
11. Ratnagiri ..	15	1506	—	52	566	520	80	18	—	303.00	79	3	76	3
12. Thana ..	12	1646	36	—	562	475	74	25	24	383.00	100	42	37	241
	77	9917	103	113	4117	2189	955	587	602	9153.98	1886	841	626	2577

MARATHWADA DIVISION

13. Aurangabad ..	12	1975	2	—	1158	342	424	272	122	935.28	234	149	510	194
14. Bhir ..	7	1843	—	—	761	341	232	130	58	915.11	88	88	238	346
15. Nanded ..	8	1398	1	24	929	505	252	137	60	942.62	236	69	238	118
16. Osmanabad ..	11	1423	—	—	969	398	277	223	71	1456.60	366	212	758	128
17. Parbhani ..	8	1577	3	85	924	608	233	97	74	1202.80	300	74	97	228
	46	8216	6	109	4741	2194	1418	859	385	5452.41	1224	592	1841	1014

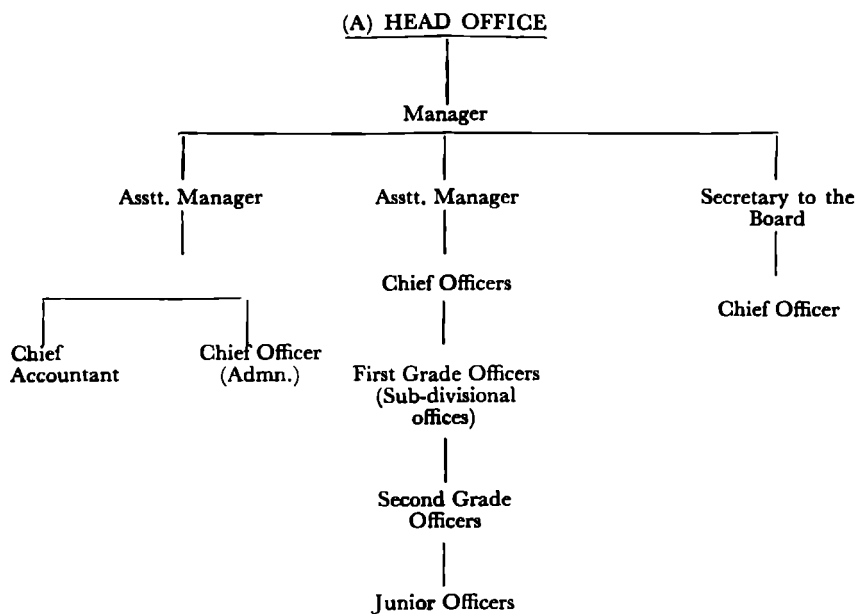
NAGPUR DIVISION

18. Akola ..	13	1731	—	—	837	186	275	251	125	1040.50	539	123	380	125
19. Amravati ..	13	1832	8	6	711	264	207	162	92	1028.75	231	61	285	718
20. Bhandara ..	13	1659	—	—	788	445	248	74	21	795.00	199	27	196	29
21. Buldhana ..	13	1375	—	—	569	173	241	97	58	911.88	456	58	338	156
22. Chanda ..	18	3373	14	—	1170	1045	98	29	12	966.25	239	55	113	22
23. Wardha ..	7	1369	—	—	404	297	79	—	28	479.91	—	29	—	28
24. Nagpur ..	13	1883	15	—	615	278	226	91	35	725.84	181	36	169	36
25. Yeotmal ..	14	1931	1	3	601	94	219	185	107	1040.84	259	107	404	101
	104	15153	38	9	5695	2782	1593	889	478	6988.97	2104	496	1885	1215
Grand Total	295	39500	231	243	19495	9534	4850	3149	2436	32620.70	8809	3083	5494	7852

*Worked out at Rs 125 per ha for dry land and Rs 250 per ha for irrigated land.

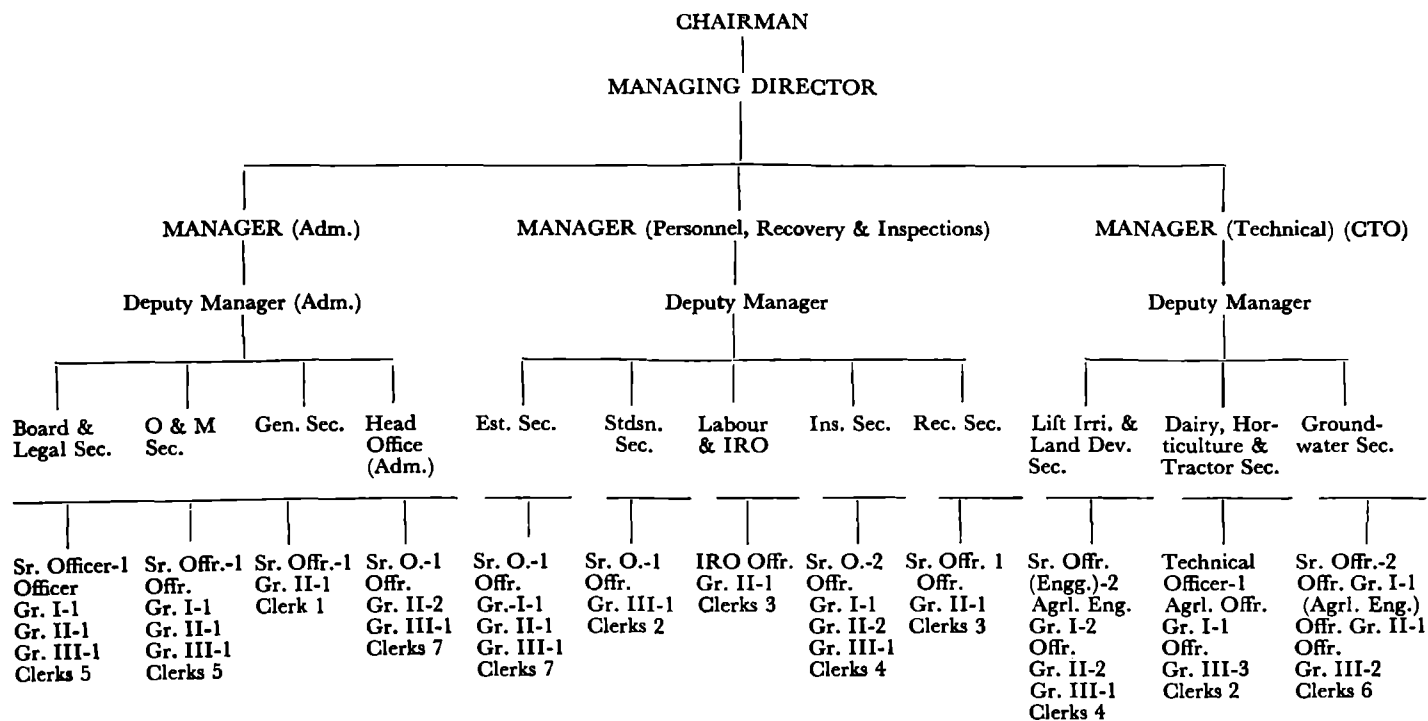
STATEMENT 6

STAFFING PATTERN OF A DISTRICT CENTRAL CO-OPERATIVE BANK



STATEMENT 7

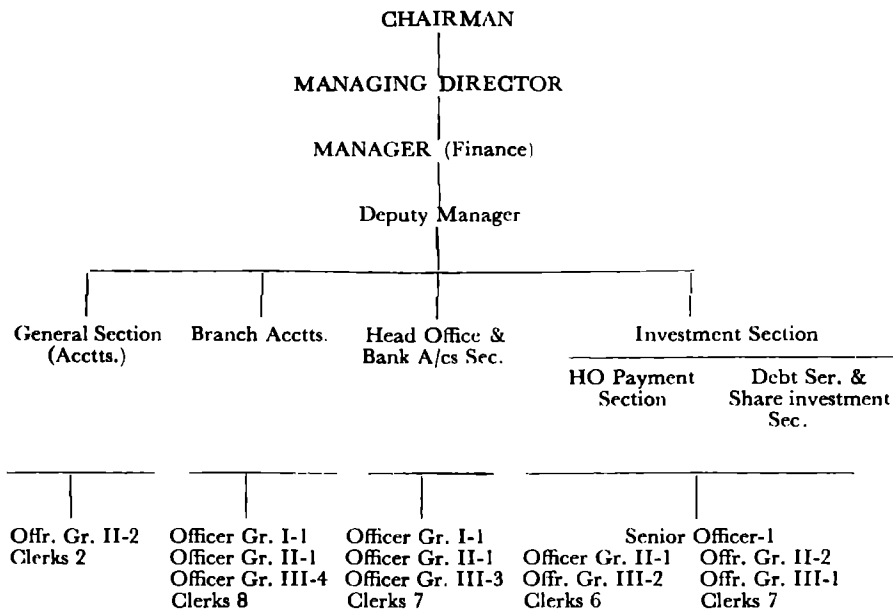
ADMINISTRATIVE SET-UP OF THE SLDB's HEAD OFFICE



(Continued)

STATEMENT 7 (Contd.)

ADMINISTRATIVE SET-UP OF THE SLDB'S HEAD OFFICE



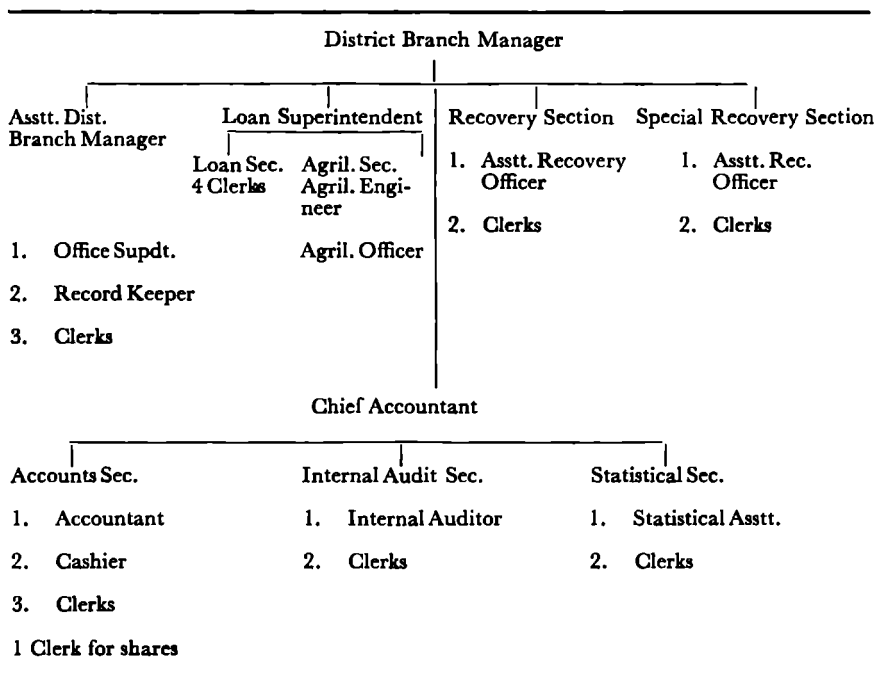
STATEMENT 8

SLDB DIVISIONAL OFFICES—STAFFING PATTERN

Sr. No.	Cadre	Poona	Kolha- pur	Nasik	Auran- gabad	Akola	Nagpur	Total
1.	Divisional Officer	1	1	1	1	1	1	6
2.	Technical Officer	1	1	1	1	1	1	6
3.	Officer Gr. I	1	—	—	—	—	1	2
4.	Officer Gr. II	2	2	2	4	1	1	12
5.	Officer Gr. III	2	1	3	3	3	3	15
6.	Investigators	—	2	—	—	—	—	2
7.	Clerks	16	5	8	9	5	6	49
Total		23	12	15	18	11	13	92

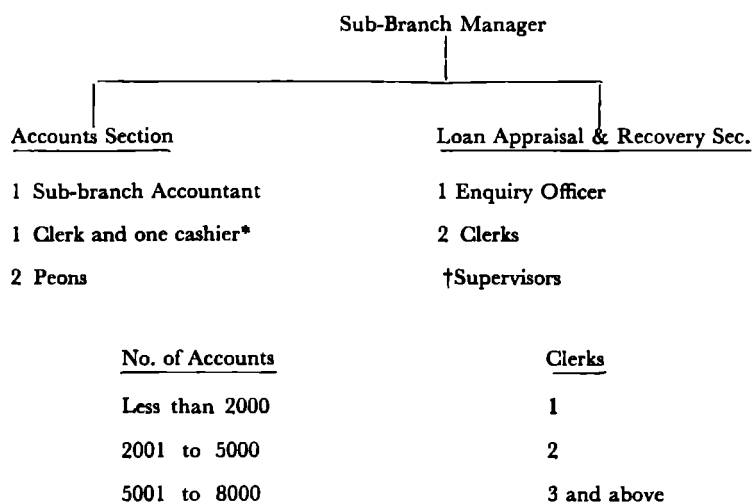
STATEMENT 9

STAFFING PATTERN AT THE DISTRICT BRANCHES OF THE SLDB



STATEMENT 10

STAFFING PATTERN AT THE SUB-BRANCH OF THE SLDB



*No. of posts of clerks depends upon the number of Khatas attached to sub-branch.

†No of supervisors depends upon the number of accounts and area of operation. For every 800 accounts one supervisor is generally provided.

STATEMENT 11

MUTUAL CREDIT SUPPORT BETWEEN THE SHORT-TERM AND LONG-TERM WINGS IN AHMEDNAGAR DISTRICT

322

INTEGRATION OF CO-OPERATIVE CREDIT INSTITUTIONS

Sr. No.	Name of the Society	No. of ST borrowers	No. of LT borrowers	No. of LT borrowers availing ST loans	No. of LT borrowers not availing ST loans	No. of ST Borrowers	
						Availing LT loans	Not availing LT loans
I. Shrigonda Taluka							
1.	Pargaon Sudrik	150	67	23	44	27	123
2.	Ghargaon	157	76	42	34	42	115
3.	Kokangaon	74	9	5	4	5	69
4.	Nimgaon Khalu	130	6	4	2	5	125
5.	Adhalgaon	197	61	28	33	28	169
		708	219	102	117	107	601
II. Kopargaon Taluka							
1.	Ranjangaon Khd	309	22	16	6	16	293
2.	Wadgaon	70	19	12	7	15	55
3.	Ukadgaon	124	57	36	21	39	85
4.	Brahmangaon	149	50	10	40	10	139
5.	Shingwe	208	66	43	23	45	163
		860	214	117	97	125	735

STATEMENT 12

MUTUAL CREDIT SUPPORT BETWEEN SHORT-TERM AND LONG-TERM WINGS IN KOLABA DISTRICT

Sr. No.	Name of the Society	No. of ST borrowers	No. of LT borrowers	No. of LT borrowers availing ST loans	No. of LT borrowers not availing ST loans	No. of ST		Borrowers
						Availing LT loans	Not availing LT loans	
I. Mangaon Taluka								
1.	Warasgaon Sambhe	259	35	27	8	22		237
2.	Tise ..	236	9	8	1	11		225
3.	Muthawali	429	44	38	6	49		380
4.	Roha	139	6	4	2	8		131
5.	Rothwarse	120	20	14	6	7		113
		<u>1183</u>	<u>114</u>	<u>91</u>	<u>23</u>	<u>97</u>		<u>1086</u>
II. Murud Taluka								
1.	Kharamboli	357	71	20	51	23		334
2.	Agardanda	179	14	7	7	7		172
3.	Nandgaon	183	53	14	39	15		168
4.	Majgaon	196	44	11	33	14		182
5.	Samata Seva Sahakari Society ..	35	96	13	83	9		26
		<u>950</u>	<u>278</u>	<u>65</u>	<u>213</u>	<u>68</u>		<u>882</u>

STATEMENT 13

MUTUAL CREDIT SUPPORT BETWEEN SHORT-TERM AND LONG-TERM WINGS IN PARBHANI DISTRICT

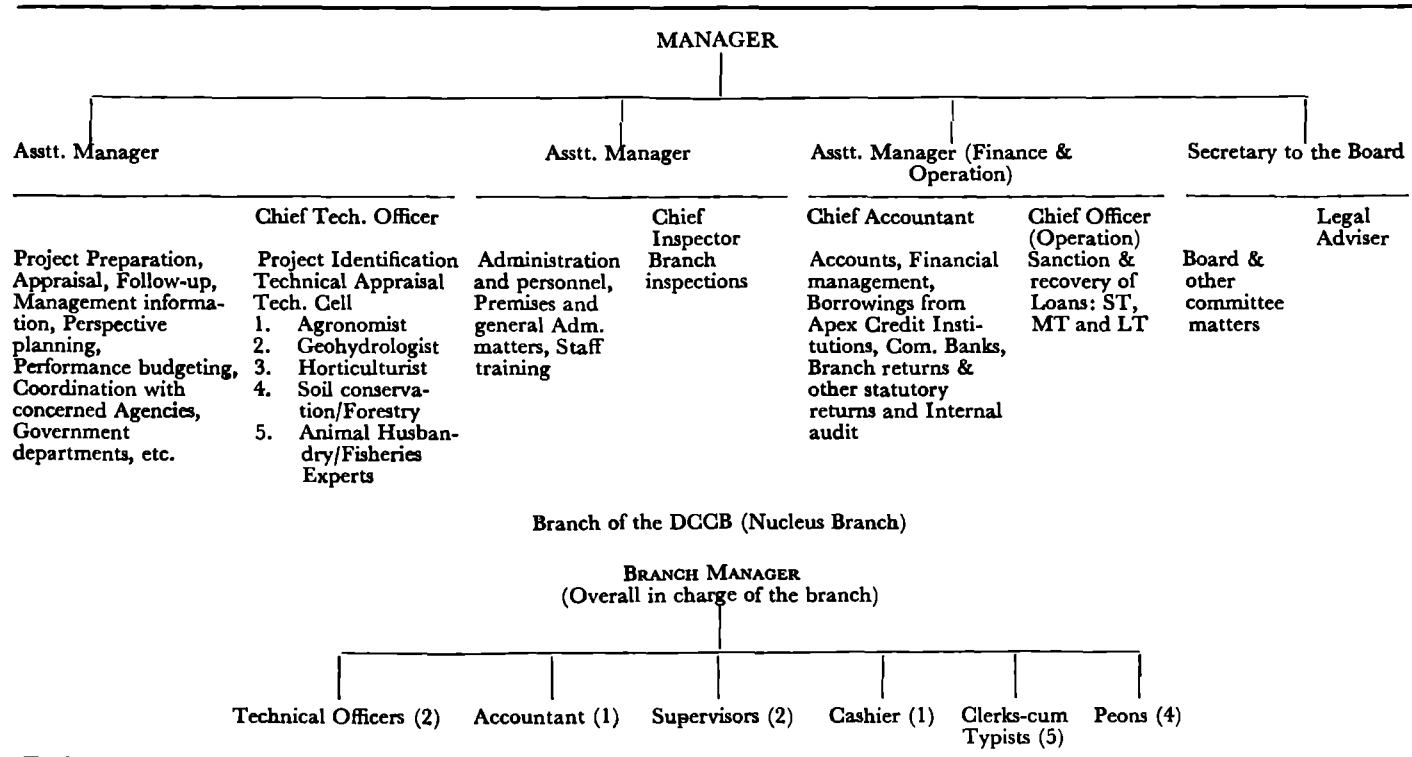
324

INTEGRATION OF CO-OPERATIVE CREDIT INSTITUTIONS

Sr. No.	Name of the Society				Taluka	No. of ST borrowers	No. of LT borrowers	No. of LT borrowers availing ST loans	No. of LT borrowers not availing ST loans	No. of ST borrowers		
										availing LT loans	Not availing LT loans	
1.	Aundha	Nagnath	VKSS	..	..	Hingoli	127	46	32	14	24	103
2.	Yehalegaon	..	..	..	..	„	345	149	92	57	95	250
3.	Malhivara	..	..	..	..	„	69	1	1	—	1	68
4.	Hingoli	..	..	..	..	„	177	93	24	69	23	154
5.	Jaipur-Malselu					„	90	5	5	—	4	86
							808	294	154	140	147	661
6.	Vakodi					Kalamnuri	139	28	21	7	14	125
7.	Dongargaon Pul					„	68	13	6	7	4	64
8.	Akhadabalapur					„	54	28	12	16	9	45
9.	Kalamnuri					„	78	84	24	60	1	77
10.	Shewala					„	93	19	7	12	6	87
							432	172	70	102	34	398

STATEMENT 14

SUGGESTED STAFFING PATTERN OF AN INTEGRATED DISTRICT BANK AT HEAD OFFICE AND AT THE NUCLEUS BRANCH



REPORT OF THE STUDY GROUP
MANAGEMENT AND STAFFING PATTERN

CHAPTER 1

INTRODUCTION

Terms of Reference

1.1 The RBI in consultation with the GOI, appointed a Committee to study the feasibility of merging the short-term and long-term co-operative credit institutions in the country. A Study Group was set up by the Committee :

- (i) to examine the structure of management and the staffing pattern at the intermediate and higher levels of the integrated units of the two wings of the co-operative credit structure so that they may be able to handle satisfactorily short-term, medium-term and long-term agricultural credit, and
- (ii) to examine in particular the organisation and staffing pattern at the base level which is expected to deal with farmers so that it may be able to integrate the different types of credit with supplies of agricultural inputs, marketing of agricultural produce, technical guidance, etc.

The Group consisted of the following members :

1. Shri K. R. Subrahmanyam	Joint Convener
Senior Director	
Agricultural Refinance and	
Development Corporation	
Bombay	
2. Shri Y. S. Borgaonkar	Joint Convener
Joint Chief Officer	
Agricultural Credit Department	
Reserve Bank of India	
Bombay	
3. Prof. Varanasy S. Murty	Member
Professor of Business Management	
Jamnalal Bajaj Institute of Management	
University of Bombay	
Bombay	
4. Shri C. L. Khemani	Member
Chief Officer	
Department of Agricultural Banking	
State Bank of India	
Central Office	
Bombay	

5.	Shri S. A. H. Razvi Managing Director Andhra Pradesh Co-operative Central Agricultural Development Bank Ltd. Hyderabad	Member
6.	Shri M. S. Kulkarni Manager (Administration) Maharashtra State Co-operative Bank Ltd. Bombay	Member
7.	Shri S. G. V. Ramanan Member-Secretary of the Committee on Integration Bombay	Member

Methodology Adopted

1.2 With a view to eliciting information regarding the structure of the management and staffing pattern obtaining in the institutions at various levels of the two wings of the co-operative credit structure, a set of proformae was devised and information was solicited from the states of Andhra Pradesh, Bihar, Maharashtra, Rajasthan and Tamil Nadu. The selection of these states was made keeping in view the different stages of development of the co-operative credit movement obtaining in various states. The Study Group also visited the states of Bihar, Rajasthan and Tamil Nadu and held discussions with the officials of selected co-operative credit institutions, a branch of the State Bank of India and a rural bank. A list of states and institutions visited by the Group is given in Annexure 1.

1.3 The Study Group proceeded on the following assumptions :

(i) It may not be possible to suggest a uniform pattern of organisation for the integrated bank at the apex level, even if integration of the SCB and the SLDB may eventually come about in course of time.

(ii) At the district level, where the CCB cover the whole district and the area of operation of the PLDB is co-terminous with that of the CCB, no insurmountable difficulties are envisaged in integrating these two organizations. In such a situation, the branches of the CCB and those of the PLDB, wherever they exist, are also likely to be merged. The staff of both the institutions would, thereafter, be deemed as the staff of the emerging new unit.

(iii) At the village level, only functional integration will arise since, under the new set-up, the village level societies which at present dispense

short-term and medium-term credit, will in future provide long-term credit as also other facilities to the cultivators. A paid secretary will be in charge of the primary society.

Acknowledgements

1.4 We wish to thank the SCB and SLDB in the states of Bihar, Rajasthan and Tamil Nadu, the CCB and/or their branches in Siwan-Chapra, Dinapur-Masaurhi, Jaipur, Ajmer, Madurai and Kanchipuram, the PLDB and/or the branches of the SLDB at Chapra, Jaipur, Ajmer, Madurai and Kanchipuram, the Regional Rural Bank at Gorakhpur in Uttar Pradesh and the Agricultural Development Branch of the State Bank of India at Ayyampalayam in Madurai District, which the Study Group had the privilege to visit, for the excellent arrangements made by them to facilitate the study of their working with reference to the management and staffing pattern. We also wish to thank the ARDC for making available to us the services of their officers as also for the help received in connexion with the work of the Study Group.

1.5 The rest of the members of the Study Group wish to place on record their high appreciation of the valuable services rendered by Prof. Varanasy S. Murty, Management Expert, as a member of the Group.

1.6 We would like to place on record our appreciation of the assistance received from Shri S. Dharmalingam, Deputy Director, ARDC, who was associated with the Study Group in its study and also in the preparation of the report.

CHAPTER 2

MANAGEMENT AND ORGANIZATIONAL PATTERN : PRESENT AND FUTURE

2.1 An analysis of the existing position relating to the management and staffing pattern in the two wings of the co-operative credit structure

based mostly on the states visited by the Group is given in the following paragraphs.¹

Present Position of Management and Scope for Improvement

Board of Management of the SCB

2.2 Generally, the Board of Management of the SCB is predominantly representative of the CCB in the states; besides the CCB, representation is sometimes also given to other apex co-operative institutions such as State Marketing Federation, State Handloom Society and large-sized co-operative processing units like sugar factories, spinning mills, etc. The PACS in the state do not have any voice in the election of directors to the Board of Management of the SCB. It will be more appropriate and democratic if the PACS have some say in the election of members of the Board of the SCB.

2.3 Generally speaking, persons with technical knowledge, management experts and agricultural economists are not on the Board of the SCB. Their presence on the Board will greatly facilitate the formulation of policies of the bank. Further, representation is also not given to the weaker sections of the community like scheduled castes/tribes, women, etc., on the Board. It is understood that, in states like Tamil Nadu and Andhra Pradesh, efforts have recently been made to give adequate representation to weaker sections.

Board of Directors of CCB

2.4 The PACS elect the Board of Directors of the CCB. Representation on the Board is given to other co-operative institutions also like the weavers' societies, spinning mills, sugar factories, etc. The Registrar of Co-operative Societies has also powers to nominate a few directors. The members on the Board do not often have sound knowledge of banking. No experts in the fields of agricultural technology, management or agricultural economics are on the Board at present.

Chairmen of the SCB/CCB

2.5 The chairmen of the SCB/CCB are elected from amongst the elected directors of the SCB/CCB. They are not professional bankers unlike in the case of commercial banks. Naturally, it cannot be expected

¹An appendix giving a detailed picture of the existing position which formed part of the Report is not reproduced.

of the non-professional chairmen to devote their whole-time attention to the business of the banks. Where the Board is superseded, the state government usually appoints an official as chairman or person-in-charge as a transitory arrangement.

Co-ordination between SCB and SLDB

2.6 There is necessity for having greater co-ordination between the SCB and the SLDB. With a view to achieving this, wherever the latter has chosen to remain separate, the SLDB Chairman may be co-opted as a director of the SCB.

Present Position of Organization

Short-term Wing

2.7 The development of the short-term wing in various states is not uniform. Divergence is also observed in the organizational set-up as well as staffing pattern of the SCB and CCB. Except for states like Maharashtra, Gujarat and Tamil Nadu, branch banking among the CCB is relatively poor. In the case of the Jalgaon District Central Co-operative Bank in Maharashtra, the number of branches opened by the bank is as large as nearly 100. In the case of backward states like Bihar and Rajasthan, the number of branches per CCB is very small, normally varying between 6 and 10.

2.8 In the case of branches of the CCB also, there is considerable divergence in the organization and functions. Some branches merely attend to the functions of disbursing loans sanctioned by the Head Office and collection of deposits. Decentralisation of accounts is yet to be introduced in the case of some CCB. Supervision over PACS financed by the CCB, though entrusted to the branches, had not been effective. At present, the branches of CCB in most cases are not vested with the powers of sanctioning credit limits. Most branches of CCB have only a skeleton staff comprising a branch manager, a cashier-cum-clerk and a peon.

2.9 There is no uniform pattern of staffing at the primary level, which will be the most crucial level, especially after integration of both the wings. Each PACS to be viable should, as per norms indicated by the RBI, have a minimum business of Rs 2 lakhs under short-term credit, employ its own paid secretary and be housed in a rented or its own premises. However, the existing position is that there are not even full-time

paid secretaries in many societies. Because of the poor income of the societies, honorary workers are looking after the maintenance of books of account. The secretaries are often not properly trained. In most states, there is no cadre as such for the secretaries of the PACS. However, in Maharashtra, a common cadre of secretaries has been introduced in 1971. In some states like Tamil Nadu, the CCB have recruited their own staff to be deputed on foreign service terms to PACS as secretaries. Though they are borne on the CCB cadre, their salaries are met by the PACS.

Long-term Wing

2.10 The development of the SLDB is also not uniform. Some SLDB, as in Rajasthan, have neither built up their own cadre of officers nor have they special staff for carrying out technical appraisal or supervision over the PLDB. The SLDB in Rajasthan and Bihar are heavily relying on the state governments for their key personnel. In the case of Tamil Nadu and Maharashtra, the SLDB have over the years built up a well-knit branch system. In Tamil Nadu, the SLDB has its branches in all districts except one. These branches have a full complement of staff consisting of a Deputy Manager, legal-cum-inspecting officers, technical officers and supervisors whose pay scales are higher than those of comparable categories in CCB. In Andhra Pradesh, Regional Offices of the SLDB have been opened at convenient centres and powers of sanction have been fully delegated to them, the Head Office dealing only with the formulation of policies, co-ordination with other development departments and overall supervision.

2.11 There is no uniform policy in the matter of organizing PLDB wherever federal structure exists, or in the opening of the branches of the SLDB under the unitary system. Within the same state, while some districts have more than one PLDB, others have only one for each district. For instance, Ajmer district in Rajasthan has 3 PLDB while the Jaipur district has only 1 PLDB which, however, has opened 8 branches at tehsil/panchayat samiti headquarters to cover all the 17 panchayat samitis comprising 2824 villages. In Madhya Pradesh, PLDB function at the district level and they usually have branches at the taluk level; sometimes one branch serves more than one taluk. In Andhra Pradesh, PLDB have jurisdiction covering one taluk, whereas in Tamil Nadu the PLDB function even at the block level. Similarly, under the unitary structure, most branches in Gujarat function at the taluk level whereas in Maharashtra, the main branches function at the district level and they have in turn their sub-branches usually at the taluk level.

Future Organizational Pattern

State Level Institutions

2.12 In the case of SLDB which elect to remain separate, they should have adequate staff especially for the technical wing which most of them at present lack. Where integration at the state level is effected, the functions of the integrated state co-operative bank (ISCB) at the level of the Head Office could broadly be divided into three categories, namely, (i) Development and Supervision, (ii) Banking and Operations and (iii) Secretarial and Personnel. The organizational chart (Chart 1) would indicate the broad division at the Head Office. The Chairman-cum-Managing Director of the ISCB will be the Chief Executive of the bank. Next in the hierarchy will be the Development Manager, in so far as seniority, status and rank are concerned. The Development and Supervision Division will have two senior officers. The Development Manager will be in charge of identification and formulation of special schemes, mobilization of resources, perspective planning, technical personnel, management information service, performance budgeting and training. In the new set-up, the Development Manager will have an important function to perform. Below him in rank, but reporting directly to the Chairman, will be a Chief Inspector; he will be in charge of inspections of Integrated Central Co-operative Banks (ICCB), and the regional offices and branches of the ISCB, besides undertaking visits to other borrowing institutions and attending to recovery of loans. In the Secretarial and Personnel Wing, there will be a Secretary-cum-Law Officer and a Manager (Personnel and Administration). Similarly, in the Banking and Operations Division, two Managers will be in charge of operations. Manager (Operations I) will look after sanction of ST credit limits to the ICCB and state level non-credit institutions as well as loans and advances to processing units. He will also attend to the borrowings from the RBI. Manager (Operations II) will look after investment credit (both MT and LT) and deal with special schemes of agricultural development sanctioned by the ARDC as well as borrowings from the RBI in respect of MT loans. The third senior officer in the division will be Manager (Finance) in charge of accounts, financial management and bonds issue. All the senior officers will report directly to the Chief Executive.

District Level Institutions

2.13 The organizational chart (Chart 2) depicts the division of work at the Head Office of the ICCB. In Annexure 2, we have suggested

the pay scales of the different categories of staff of the ICCB under different models for adoption by banks wherever feasible. The pay scales suggested are only illustrative and recommendatory.

2.14 In addition to its existing business of dispersing short and medium-term loans, the ICCB would be expected to purvey long-term loans also. For this purpose, the ICCB will have recourse to the ISCB for their long-term credit requirements where integration at the state level is complete. Wherever the SLDB remains separate, or during the period before integration, they will get themselves affiliated to the SLDB and draw long-term funds from it. The branches of the DCCB and the PLDB/branches of the SLDB in the respective areas of operation will merge together and the staff of both the wings will be taken over by the new ICCB. At the level of the Head Office of the ICCB, no additional staff may be required to look after the business taken over from the long-term wing, except for the purpose of maintaining accounts of the long-term loans.

2.15 Some of the branches, especially those functioning at the taluk level, will have to be fortified with additional staff—technical, legal, developmental and supervisory. The taluk level branches may be classified as Class I branches and the other smaller ones as Class II branches. In every Class I branch, there will be the nucleus staff, consisting of technical, legal, developmental and supervisory personnel. At the district level of the ICCB also, a nucleus technical staff would be provided and this staff will be under the control of the Development Manager. The Class II Branch may have *initially* only a minimum staff of a Branch Manager, Clerk-cum-Cashier, two Supervisors and a peon; no legal, technical and development staff are expected to be attached to them.

2.16 After integration, the role of the ICCB in the revised set-up will be that of a leader of all co-operative financing in the district. It will maintain close liaison with the various development departments of the state government, like agriculture, soil conservation, animal husbandry, fisheries and small-scale industries. Naturally, the work of the Development Manager in the new set-up would be that of a forward-looking planner who would co-ordinate the bank's activities with those of the other development departments and agencies. Besides, the bank will also identify, with the help of the staff at the village and taluk levels, the potential for development, formulate schemes of agricultural development and also take up the financing of such schemes. The bank will continuously monitor the progress in the implementation of the schemes by a suitable system of feed-back from the field organisations and field

officials. It is, therefore, imperative that in the selection of the development manager, due care and attention should be bestowed so as to ensure that he is an officer of sufficiently high status and seniority within the bank and is endowed with dynamism and vision.

Branch of an ICCB

2.17 At present, the branches of CCB function more or less as book-keepers and perform mainly two functions, viz., mobilisation of deposits, and disbursement of loans on the advice of the Head Office. The following functions would naturally fit in with the role expected of a branch in the integrated set-up, which is to function on the lines of a branch of a commercial bank :

(i) Mobilisation of resources from individuals and other institutions, (besides the deposits of the co-operative institutions which have to be kept with the ICCB as per rules).

(ii) Sanction and disbursement of loans upto an authorised limit and also disbursement of loans sanctioned by the Head Office, over and above the discretionary limits of the branch. This will include loans for medium-term and long-term investments also.

(iii) Branches should be actively associated with the recovery of loans issued by them.

(iv) Branches should be able to exercise absolute supervision and control over the PACS functioning in their areas of operation. After integration, each branch may have at least 20 affiliated PACS, each having a prospect of reaching a loan business of Rs 2 lakhs of production credit and Rs 1 lakh of term credit. Each branch will, thus, cater to a short-term credit potential of Rs 40 lakhs and long-term investment credit of Rs 20 lakhs.

(v) The supervisors/inspectors who exercise supervision over the PACS should be stationed at the headquarters of the branch or at other convenient centres, and the control over these supervisors/inspectors should vest in the branch manager.

(vi) The branches should be entrusted with the function of scrutinising annual credit limit statements in respect of short-term credit requirements of the PACS prepared by them. In the case of long-term loans, branches should have discretionary powers of sanction of loans upto a certain specified limit; even as at present the PLDB have certain powers of sanction. In case, discretionary powers of sanction are not vested at the level of the branches, the Head Office of the ICCB will be flooded with applications in respect of investment credit with consequential delay in sanction.

2.18. It should be the endeavour of the ICCB to open initially at least one branch at each of the taluk headquarters and also at important mandi centres and finally penetrate to levels lower than those of taluk headquarters. Where there is a network of branches of an ICCB even up to the block level, the number of societies which the branches have to cater will be considerably small; it will not be possible immediately to equip such a branch with legal, technical and development staff. In such cases, the taluk level branch may be designated as the regional controlling branch which should have the full complement of staff for attending to legal, technical, developmental and supervisory functions. Where the loan business warrants, the full complement of staff may be posted even at Class II branches, viz., branches functioning below taluk level. It is possible to have such staff in Class II branches when these branches provide sufficient business to sustain the additional staff.

2.19 The scrutiny of individual applications for sanction of medium-term or long-term loans should be carried out by the special staff (technical and legal) stationed at each Class I branch. The assistance of the special staff will be available also to the Class II branches within the taluk. The broad policies and norms regarding short-term loans, e.g., the scale of finance for different crops, individual maximum borrowing power, etc., could be laid down by the Board of the ICCB, and the branches could sanction limits within the broad policy framework. Only cases which do not conform to the norms laid down by the Head Office will be referred by the branch managers to the Head Office for guidance. If necessary, a Branch Advisory Committee may be formed for this purpose which should include, besides a non-official Chairman, officials of the technical departments.

Functions to be performed by the PACS

2.20 The PACS are at present responsible for dispensing short-term loans for seasonal agricultural operations and also medium-term loans for periods not exceeding five years for the purpose of investment in agriculture. However, in the changed set-up, under which all the services required by the agriculturists should be made available to them at one contact point at the village level, the PACS will be responsible for dispensing, in addition to short-term and medium-term loans, long-term loans for agricultural investments also. Further, the societies are also expected to provide the cultivators consumer goods and arrange for marketing of their produce, besides supplying essential inputs like seeds, fertilisers and pesticides. The secretary of the PACS will be a paid official and he will be responsible for discharging all

the functions of the society and, wherever necessary, will be assisted by a few clerks, cashiers and salesmen, their number depending upon the volume of deposit, loan and other business. The secretary of the society will need a minimum qualification of SSC and should also undergo training in co-operative management and co-operative banking. He will collect loan applications in conjunction with the supervisor for long-term loans, but will not be saddled with the work of appraisal of medium and long-term loans which would be the function of the technical personnel of the ICCB. However, he will make a *prima facie* scrutiny of the applications received with the assistance of check-lists and pass on the loan applications to the concerned branch of the ICCB.

2.21 In view of the fact that many of the societies are functioning at a loss, or earning only a marginal profit, a secretaries cadre fund may be created at the state level and maintained by the SCB. Contributions to the fund may be collected from societies and the CCB in relation to their loan business at the rate of 1.75 per cent of the loans borrowed by a society during the year from the CCB and the CCB may themselves contribute to the fund at the rate of 0.25 per cent of the loans issued to them in a year by the SCB. The secretaries will be the employees of the CCB. One advantage in maintaining the cadre fund at the state level is that where there are shortfalls in the contributions collected in the cadre funds of some central banks, it may be advantageous to pool the collections from all the districts in the state level cadre fund, whereas the management of the cadre will remain with the respective CCB. With a view to attracting and retaining talented persons in the cadre, it is necessary to provide them not only security of service but also opportunity for promotions.

2.22 In the light of the observations made in the preceding paragraphs, we make the following recommendations on the question of management and organization of the integrated co-operative credit institutions.

Board of Management

2.23 Since the PACS do not at present have any voice in the election of directors of the SCB, we recommend that a suitable electoral college may be devised, whereby the Managing Committee of the PACS would form the electoral college to elect the directors of the ICCB. The latter would, in turn, constitute the electoral college for electing the members of the Governing Council of the SCB. Each ICCB will elect two members to the Governing Council from amongst the members of the electoral colleges, one from within the district and the other from

outside the district. It is felt that this method of election to the Governing Council of the ISCB would make the elections more democratic and avoid concentration of power in a few individuals. Since the Governing Council so elected may be large, a more compact body called the Executive Council with a lesser number of members for attending to the day-to-day affairs of the bank may be set up. The members of the Executive Council will be elected by the members of the Governing Council from amongst themselves.

Nomination of Experts on the Boards of Management of ISCB and ICCB

2.24 The state government may nominate management and technical experts as well as agricultural economists on the Boards of Management of the ISCB and ICCB.

Representation to Weaker Sections

2.25 With a view to giving representation to the weaker sections of the community like small farmers, scheduled castes/tribes and also women, the Registrar of Co-operative Societies may be empowered to nominate representatives of the weaker sections on the Boards of Management of the ISCB and ICCB as has been done, for example, in Andhra Pradesh and Tamil Nadu.

Chairmen of the ISCB and ICCB

2.26 The Chairmen of the SCB/CCB are generally chosen from out of the elected directors of the banks. Since in most cases, they are members of the Legislatures or otherwise actively engaged in political work, they are unable to devote their full-time attention to the business of the bank. Naturally, it cannot be expected of a non-professional Chairman to devote his whole-time attention to the business of the bank. We, therefore, suggest that the Chairmen-cum-Managing Directors of the ISCB/ICCB should be paid professional bankers with knowledge of banking and co-operation on the analogy of the nationalised commercial banks.

Representation to SLDB

2.27 With a view to achieving greater co-ordination as between the SCB and the SLDB, wherever the latter remains separate, the SLDB Chairman may be co-opted as a Director of the SCB.

Amendments to the Act, Rules and Bye-laws

2.28 In order to incorporate the suggestions made in this as well as in the subsequent chapters, the Co-operative Societies Acts, Rules and bye-laws of the banks may be amended suitably.

ISCB and ICCB

2.29 The ISCB and ICCB will have adequate staff for carrying out the additional responsibilities and will accordingly have sufficient technical personnel. As indicated in the Organizational Charts 1 and 2 appended, the functions of the integrated banks will be divided broadly into three categories, viz., (i) development and supervision, (ii) banking and operations and (iii) secretarial and personnel. The pay scales indicated in Annexure 2 for an ICCB are only illustrative and recommendatory. In the new set-up, Development Manager will have a definite and important role to play in respect of planning and development.

Branches of the ICCB

2.30 The ICCB should open at least a minimum number of branches in their respective areas of operation for ensuring resources mobilisation, disbursement of loans and better supervision over PACS. These branches will function on the lines of the branches of the commercial banks.

2.31 Consequent on integration, a branch at the taluk level may have full complement of staff including technical, legal, developmental and supervisory personnel. The branch will be under the control of a well-qualified branch manager. Adequate powers should be delegated to the branch for sanction of loans upto a prescribed ceiling to avoid flooding of long-term loan applications at the district level. The branches will be responsible for supervision over all societies under their jurisdiction. Such full-fledged branches may be created initially after integration, at the taluk level or at mandi centres. As stated earlier, the Class II branches may have only a minimum staff of a Branch Manager, a cashier-cum-clerk, two supervisors and a peon; the technical and developmental staff at the level of the Class I branch will assist the Class II branches in the appraisal of investment loan applications.

Branch Advisory Committee

2.32 A branch advisory committee may be formed for each branch with a non-official Chairman but with officials of the technical departments represented on it.

Staff for Long-term Wing

2.33 Even before the two apex banks at the state level are integrated, the SLDB should build up their own technical wing for project appraisal. In the integrated institution, a separate wing under a senior officer of the state co-operative bank will have to be created for looking after investment credit. He may look after both the medium and long-term credit.

Functions of PACS

2.34 In the new set-up, there will be a functional integration at the level of the PACS and they will be responsible for issuing long-term investment loans in addition to ST and MT loans as well as provision of consumer goods, supply of essential inputs like seeds, fertilisers, pesticides, etc.

Secretaries Cadre Fund

2.35 A Secretaries Cadre Fund may be created at the state level and maintained by the SCB, the contributions being collected from PACS and the CCB in relation to their loan business.

CHAPTER 3

STAFFING PATTERN : JOB DESCRIPTION AND MODELS

Existing Pattern

3.1 During our visits, we observed that the co-operative credit institutions had been relying on the state government for filling up executive positions, the reliance being greater in the case of co-operatively less developed states. In Bihar and Rajasthan, the reliance was more pronounced than in the case of advanced states like Tamil Nadu where, at least at the level of apex banks, the reliance was less significant except for the posts of Managing Directors of the two apex institutions. In Bihar and Rajasthan, the CCB depended heavily on government staff, especially for the purpose of supervision over the PACS and the SLDB

for canvassing loan applications and for land valuation. It is pertinent to note that the reliance has not been confined only to technical staff at various levels of the credit structure.

Senior and Middle Level Staff

SCB and CCB

3.2 With a view to providing the co-operative banks at the apex and district levels with a cadre of officials of their own to man them without depending upon officers on deputation from either the RBI or the state governments, the RBI had been advocating that the co-operative credit institutions should build up a cadre of their own officials. A permanent cadre of officials, unlike those who are drawn on deputation from the Co-operation Department of the state government who are liable to be transferred very frequently, will have a stake of their own in the working of the banks. In the case of the SCB in the states visited by the Study Group, it was observed that, by and large, the banks have built up their own cadre of officials. Some divergence was observed in the staffing pattern of the CCB visited by the Study Group. Varying degrees of reliance on the state government were noticed in the staffing pattern at the level of the CCB.

SLDB

3.3 In the case of Bihar, almost all the 15 executive posts at the Head Office were manned by the staff drawn on deputation from the state government; the reliance of the SLDB for manning its regional offices, district offices and various branches was also heavy. In Rajasthan, the Managing Director of the SLDB was an officer on deputation from the RBI and the other executive posts were occupied by officials from the Co-operation Department taken on deputation. In the case of Tamil Nadu, except for the Managing Director of the SLDB who was an officer of the RBI on deputation, the bank had built up a well-knit cadre of officers of its own. In most of the backward states, the SLDB had not built up a cadre of officials of their own.

3.4 In the light of the above, we endorse the advice tendered by the RBI to the co-operative banking institutions that they should constitute a cadre of officers of their own by recruiting well qualified candidates from the open market by suitable advertisements. The progress in the implementation of the suggestion of the RBI has not been uniform. We, therefore, recommend that irrespective of whether the banks in the

two wings integrate with each other or choose to remain separate for some time to come, the recommendation made by the RBI for recruitment of key personnel should be implemented by them.

Staff currently on Deputation

3.5 It may neither be feasible nor advisable for the CCB to repatriate immediately the staff of the state government drawn on deputation on account of the paucity of qualified staff with them. Further, recruitment and training of staff for its own cadre will also take some time. It may, therefore, be necessary for the banks to retain the state government staff until the officials selected on the bank's own cadres are trained and have acquired sufficient expertise in the working of the banks. During the interregnum, the state government staff might continue in the banks but the control over them should vest with the management of the banks and not with the parent department.

3.6 Till the full benefits of integration are realised, i.e., till the bank's profit margin improves, it may be necessary for the state government to continue to subsidise the cost of staff already deputed to the bank under various government schemes of subsidy. Otherwise, the slender margin of profit of the banks will further be eroded.

3.7 The powers of transfer and disciplinary action relating to the departmental staff now vest with the Co-operation Department. Frequent transfers of the staff on deputation adversely affect the functioning of the bank. Such transfers should be minimal. Similarly, where the staff on deputation have been sent by the bank for specialised training, they should not be withdrawn from the bank for at least a reasonable period of time.

3.8 It is contended that for purposes of recovery of overdues, sale of land, distraint, etc., government staff should necessarily be posted with the bank because of the statutory powers vested in them. It may be examined whether such statutory powers could be delegated to the bank's staff also.

3.9 In view of the fact that a large number of officials of the state government have served the co-operative banks for a considerably long period of time and have acquired sufficient expertise in the working of the banks, it may be considered whether in the selection of cadre

officials, some weightage could be given to the staff on deputation to opt for service with the bank.

Job Specifications

3.10 When two credit institutions at a particular level get merged with each other to form a new integrated bank, the staff of both the merging institutions at the concerned level will be taken over by the new bank emerging out of integration. Consequently, there should be a re-orientation in the staffing pattern and also in the job content of various officials. We, therefore, consider it necessary to spell out in some detail the nature of duties to be performed by the incumbents in the bank's cadres. We confine our suggestions in this regard only to the ICCB and its branches.

(1) Managing Director of the ICCB

A full-time Chairman-cum-Managing Director may be appointed to be in overall control and charge of the ICCB. The appointment may be made by the state government in consultation with the RBI. He will be responsible to the Board of Management for the overall functioning of the bank on sound banking principles. He will naturally be a paid member of the Board of Directors and will be the Chief Executive of the bank. With a view to ensuring unified control over the working of the bank, its entire business should be conducted under his guidance. There should be no dilution of powers as far as the Chief Executive is concerned. In other words, there should be no diarchy in the control of the business of the bank as is the case at present in Tamil Nadu, where the Secretary of the CCB is in charge of one wing of the bank, namely, mobilisation of resources, borrowings from the higher financing agencies and maintenance of accounts whereas another officer drawn from the state government on deputation is in charge of certain important functions like issue of loans and recovery thereof. The Managing Director will be assisted by a suitable number of senior officers like (i) Development Manager, (ii) Manager (Personnel and Administration), (iii) Manager (Finance), (iv) Manager (Operations), (v) Chief Inspector and (vi) Secretary-cum-Law Officer. The volume of business of a bank will determine the number of senior officials in the executive positions. Banks with comparatively low volume of business may combine the functions of these officials suitably. The nomenclature of the various designations may be left to be determined by the bank but it may be broadly descriptive of the nature of functions performed by the officials.

(2) *Development Manager*

As indicated earlier, the Development Manager will be an officer of sufficiently high seniority and status. He will be second in command in the hierarchy of the bank and, to acknowledge this fact, the post may be treated as a separate cadre. In view of the pivotal role assigned to the CCB as the chief purveyor of credit in a district for financing of agriculture and other allied activities as well as agro-based industries besides catering to the financial requirements of the weaker sections of the community, the incumbent for the post should be a forward looking person with dynamism and vision. He will have to keep himself abreast of the latest innovations in the field of banking so that the banks are able to compete effectively with the commercial banks. Hence, the functions relating to management information service, perspective planning, performance budgeting, mobilisation of resources and identification of special schemes will come under his charge. The technical staff should also be attached to him.

(3) *Manager (Operations)*

He will be responsible for sanction of loans of all types and also recoveries of loans issued. Depending upon the volume of business, one or two more managers could be appointed by the ICCB to look after (a) mobilisation of funds, (b) operations, (c) recoveries, etc.

(4) *Finance Manager*

He will be in charge of accounts, financial management, borrowings from apex credit institution/s and banking.

(5) *Manager (Personnel & Administration)*

He will look after personnel, establishment and premises. In other words, his main task will relate to general administration of the bank, staff matters and other house-keeping activities.

(6) *Secretary-cum-Law Officer*

The Secretary-cum-Law Officer will deal with matters pertaining to all secretarial functions like issue of shares, work relating to Board matters, and meetings of Executive Committee/Management Committee. He should preferably be a person with legal background to deal with legal matters also. Where the volume of work does not warrant the appointment of a Secretary-cum-Law Officer, his work may be apportioned between the other senior officials.

(7) *Chief Inspector*

The control over the branches, inspection of branches and PACS as well as other non-agricultural borrowers like sugar mills or ginning factories will be under the Chief Inspector's charge. It would be advisable to entrust the work relating to inspection of the institutions borrowing from the bank to a separate official like a Chief Inspector instead of to the Manager in charge of operations so as to provide in-built checks and balances.

Even though the incumbents for the posts of Secretary-cum-Law Officer, Chief Inspector and Manager (Personnel and Administration) will belong to a lower cadre in respect of pay scale, they will report to the Chief Executive directly.

(8) *Technical Manager*

A Technical Manager belonging to a higher cadre may also be appointed for tendering technical advice to the bank.

(9) *Accountants, etc.*

Besides the above senior officials, there will be other officials in the lower rungs of the hierarchy like Branch Managers Gr. I and Gr. II, Assistant Chief Inspectors, Accountants and Statistician.

(10) *Superintendents/Section Officers/
Sub-Accountants/Managers Gr. II*

Depending upon the volume of business, the bank may have to appoint section heads. The nomenclature of the junior officers as normally used by banks is Superintendent, Sub-Accountant, Section Officer, Manager Gr. II, etc. They may have to deal with the loan applications, loan files, stock statements, control over goods pledged or hypothecated to the bank, etc. The junior officers attend to day book, various returns and statistical statements to be submitted to the apex co-operative bank, Reserve Bank of India, state government, etc.

(11) *Branch Manager*

There may be two cadres in the category of Branch Managers, one for those in charge of taluk level branches (Class I) and another cadre for managing smaller branches (Class II), which will have discretionary powers in the sanction of loans. Besides being in overall control of the branch, the branch manager will be the ex-officio secretary of the Branch

Advisory Committee. The Branch Managers, especially of the Class I branches, may have adequate supporting staff to relieve them of the avoidable burden of desk work so that they may have more time for field work. They will also visit the societies under their charge, take initiative in deposits mobilisation and exercise control over the entire branch staff. We envisage a pivotal role for the branch managers, especially those at Class I branches.

(12) *Clerical Staff*

Depending upon the volume of business, sufficient number of clerks may be posted at a branch or added on to the sections in the Head Office. The number of cashiers in the cash department will depend on the size of the deposit portfolio and loan transactions.

(13) *Supervisors*

In the new set-up of the PACS after integration, the job content of the supervisor will also undergo a change. So far, the supervisors have been either connected only with the short-term agricultural credit structure or the long-term credit institutions. However, consequent on the functional integration at the PACS, the supervisors will henceforth supervise both the short-term production credit and the medium-term and long-term investment credits. It would be the function of the supervisor to canvass loan applications for medium and long-term investment credit and prepare annual credit limit statements in respect of the societies under his charge for fixing the short-term credit limits for these societies. He will be solely responsible for the veracity of the annual credit statements of the PACS. He will recommend the credit limits to the branches of the ICCB. After initial verification, he will forward with his recommendations the long-term loan applications to the branches of the central co-operative bank. He will have under his jurisdiction a compact area so that verification of the utilisation of the short-term production credit as well as of the medium and long-term investment loans given for agricultural development could be done simultaneously. The supervisor will also actively associate himself with the recovery of loans on due dates.

3.11 At present, there is no norm fixed for the workload of supervisors. As early as in 1957, the RBI suggested a norm of one supervisor for every 15 large-sized credit societies and one supervisor for every 25 small-sized societies. Subsequently, the Committee on Co-operative Administration had suggested in 1963 that there may be one

supervisor for every 12 large-sized societies or 25 small-sized societies. As regards the supervisors in the PLDB, the workload per supervisor is 100 new cases and servicing of 200 old cases in a year. Having both these norms in view, we suggest that a charge of 10 societies per supervisor should be the general norm in the integrated system. However, a hard and fast rule for the fixation of any norm will not be a practicable proposition; the norms to be prescribed for a supervisor in the different states should take into account the following :

(i) The area of operation of a supervisor, considering the terrain to be traversed by him, especially in tribal and hilly areas, the communication facilities available and the proximity of societies under his charge.

(ii) In view of the long-term loaning function to be undertaken by societies at the village level, the existence of special schemes in the area under the charge of a supervisor.

(iii) Inasmuch as the supervisor will have varied items of work such as preparation of credit limit statements in respect of primary societies, canvassing of loan applications for medium and long-term investments, collection of the necessary information and accompaniments to such loan applications, the workload has to be assessed carefully and should take into account the number of members from whom ST annual credit limit statements and the number of long-term loan applications to be handled by him, etc.

(iv) The number of societies to be taken up for rehabilitation and intensive development will also count for the purpose.

Surplus Staff

3.12 With the integration of the PLDB with the CCB, it is likely that some staff may be rendered surplus especially in the cadre of supervisors. The CCB have supervisors or inspectors stationed at convenient points for effecting proper supervision over the PACS. Similarly, in the long-term wing, the PLDB or the branches of the SLDB have supervisors attached to them. The functions of supervisors, either in the short-term wing or in the long-term wing, are more or less similar except that in the long-term wing, the supervisors have to canvass loan applications directly from the individual cultivators, verify the particulars given therein and gather all other accompaniments which are required to be submitted by the cultivators along with the applications. He is also expected to carry out a *prima facie* scrutiny of the applications, especially in regard to the encumbrance certificates to be collected and other legal requirements, so that they could be submitted to the bank's

legal adviser or legal staff for legal opinion. The same type of work could be handled with some training, by supervisors in the short-term credit structure also. With the merger of the PLDB/branch of SLDB, some supervisory staff may be rendered surplus. However, since we have suggested a reduced norm of 10 societies per supervisor, it should be possible to allocate to the existing supervisors sufficient work. At present, the general experience is that supervision is either altogether lacking or is lax; there is, therefore, scope for gainfully employing the surplus number of supervisors.

3.13 Where a PLDB at present functions at block or taluk level, this would, after integration, be treated as a branch of the ICCB wherever no branch of CCB exists. In other centres, the branch of CCB and the PLDB/branch of SLDB will be merged. A branch manager of the ICCB would be posted to be in charge of each branch. In most cases, the PLDB do not have their own legal and technical staff. Even where they are present, the integrated bank can absorb them and the question of surplus staff in these two categories also may not arise.

3.14 Further, in the case of backward states, the CCB have not, by and large, opened sufficient number of branches and should, therefore, embark upon opening of more branches once integration is completed so that they may serve effectively the entire district, and absorb the surplus staff in the process. However, in order to allay the fears that may be lurking in the minds of the staff of both the wings, it should be made clear to them that, as a result of integration, there would be no retrenchment of staff of either wing. As indicated elsewhere, the surplus staff could be usefully employed to improve the quality of service to the cultivators or could be absorbed under the bank's expansion programme.

Salary Scales Consequent on Integration

3.15 By and large, the salary scales of banks are higher than those of the corresponding grades in the co-operative department of the state government, as a result of which the officers on deputation to the banks opt for bank's pay scales as in Rajasthan and Bihar. In the case of certain co-operatively advanced states where LDB have developed well, the staff belonging to the branches of SLDB may find it difficult to opt for employment under the ICCB, on account of lower pay scales of the ICCB. The staff of the branches of SLDB may, therefore, have to be treated as the staff of the ISCB. It is further suggested that wherever integration takes place and the staff of both the wings are taken over by the integrated banks, the salary scale of a particular cadre will have

to be determined with reference to that of the equivalent post in the other wing and whichever scale, as between the two, is higher should be adopted as the salary scale for that cadre in the integrated unit.

Problems of Personal Equation and Seniority

3.16 It is likely that some friction might arise on account of personal equation and fixation of seniority as between the staff of the two wings of the co-operative credit structure taken over by the new bank. It is suggested that a committee may be set up to decide the proper fixation and placement of staff of both the wings in each state; besides, a Tribunal may also be appointed for settling staff disputes that are likely to arise on account of integration in respect of pay scales, grade, seniority, etc., which should be protected. Legal provision may be made for the setting up of such a Tribunal to safeguard the interests of the employees of the erstwhile institutions of the co-operative credit structure.

CHAPTER 4

PERSONNEL MANAGEMENT

4.1 We feel that integration of the co-operative credit institutions in each state is the most opportune time for formulating a comprehensive policy for the management of co-operative banking personnel at all levels in each state, viz.,

- (i) the paid secretaries of viable primary co-operative credit societies having a business of Rs 2 lakhs or more,
- (ii) clerical and supervisory staff at the branch, district and state level units,
- (iii) the middle and the senior level managerial personnel at the branch, district and state levels, and
- (iv) technical staff at branch, district and state level units.

The personnel management function comprises the following integral components:

Perspective Manpower Planning

4.2 The personnel requirements for different jobs at different levels need to be carefully assessed on a long-term basis, say, five years in the light of development plan envisaged and awaiting implementation so that an effective recruitment programme could be drawn up. The personnel requirement projections need to be spelt out in terms of:

- (i) the new job openings and job requirements in terms of personnel skills;
- (ii) personnel turn-over estimates and the likely exit of personnel over the next five years; and
- (iii) the new skills and experiences acquired by the existing personnel through training, etc.

Manpower planning is not just forecasting of numbers but the effective utilization of personnel through proper placement and development. The integral objectives of manpower planning are (a) to indicate the number of personnel required, of what skill mix, when and for what jobs and in each geographical location; (b) to ensure purposive utilization of existing personnel resources and (c) to help shape the policy governing the entry of fresh recruits into the co-operative banking system.

4.3 The qualitative aspect of manpower planning necessitates the institution of a management succession programme in terms of identifying potential executives and grooming them for the senior positions in each organization. The management should, therefore, indentify the key jobs, the skill requirements therefor as well as identify the present skills and potential of those in the organization who could be developed to meet the requirements of the key jobs. This process of management succession planning could be greatly facilitated if each organization develops what is called executive skill inventory.

4.4 Executive skill inventory is not just a service record or personal file but is a document showing a break-up of the various skills, knowledge and experience of each executive in which he has demonstrated his strength and also the areas in which he is efficient. Such a classified information on executive skills (executive strengths and weaknesses) will be useful for :

- (i) identifying training and development needs of the executives;
- (ii) proper executive placement; and
- (iii) management succession planning.

The skill inventory record or managerial profile of each executive is prepared on the basis of the information obtained from the periodic appraisal report which serves as the source document.

Recruitment and Placement

4.5 The recruitment standards need to be reviewed and realistically developed, particularly in the present context where a substantial portion of the executive posts is likely to be drawn from clerical cadre. The recruitment criteria should, therefore, assess the capacity and potential of the recruits for developing the skills essential for a career in banking. Some objectivity in assessing the potential abilities can be achieved through measurement techniques, the introduction of which becomes all the more relevant in the present socio-economic context where the co-operative banking system is expected to function free from bias. The objectives of a recruitment and placement programme for officers are :

- (i) to develop position requirements in terms of skills;
- (ii) to design and conduct selection test and interviews;
- (iii) to design and review executive compensation structure; and
- (iv) to formulate policy regarding officer promotion, placement, retirement, etc.

Appraisal and Development

4.6 Executive appraisal system should cover both performance on the present job and the potential for other assignments. The appraisal should cover strengths and weaknesses of each executive in relation to mutually acceptable identifiable roles of performance. The high expectations of management from the appraisee should be effectively conveyed to him so as to stimulate him to a higher level of performance. The periodical appraisal reports would serve, on the one hand, as the basic source document for developing managerial skill inventory for management succession and on the other hand, as the basis for identifying training needs of executives and for developing training programmes. The training process should be viewed in its totality covering both formal and informal training and on-the-job training. The formal training is provided by specialised training institutions outside the place of work. The training requirements of the co-operative banking personnel after integration could be viewed in terms of

- (i) familiarisation training, i.e., familiarising the co-operative banking personnel with long-term lending practices and land

- development banking personnel with short-term lending practices;
- (ii) training in developing special skills, i.e., project appraisal techniques, perspective planning techniques, etc; and
 - (iii) training in co-operative bank management, i.e., training in co-operative banking skills.

Industrial Relations

4.7 Whereas the routine industrial relations problems will be handled by the district level units, there is need for developing a state level perspective of industrial relations in the co-operative banking sector for formulating suitable policies and guidelines.

Personnel Research

4.8 There is a need for systematic study by an independent agency of the emerging trends of personnel behaviour and its implications to management. Such research activities include

- (i) studying periodically the morale of employees of different regions and districts in each of the states and bringing to the attention of the management the key variables affecting morale and motivation;
- (ii) developing indices for measuring productivity of district and branch level units;
- (iii) auditing periodically the training and management development programmes as a whole and highlighting the areas needing management attention; and
- (iv) developing a forum for exchange of ideas and experiences of co-operative banking personnel and disseminating the information on techniques, concepts and practices relating to co-operative banking.

Personnel Development Board

4.9 The Study Group feels that the personnel management and development functions comprising the above-mentioned activities should not be left to be managed by the district level banks for the following reasons:

- (i) In order to attract, retain and develop suitable personnel at the integrated district level banks, it is necessary that promotional opportunities for advancement of personnel should be

provided through upward and lateral mobility of personnel all over the state.

- (ii) Personnel development function calls for managerial expertise which each district level bank, functioning independently, cannot handle adequately for want of resources and technical competence.
- (iii) If the personnel development function is to be handled by each district level unit independently, there will be duplication of efforts and resources which can be avoided in the interests of administrative efficiency and economy.
- (iv) Personnel matters are usually subjected to high pressures of local influence which can be kept to a minimum by centralising this function under an authority which can be less susceptible to local pressures.

We, therefore, suggest that suitable provision may be made in the Co-operative Societies Act, so that in each state, a central agency called State Co-operative Banking Personnel Development Board may be set up with the objective of performing the above-mentioned functions. Legal status may be accorded to the Board. The constitution of the Board may be developed on the following lines :

- (i) All the integrated district banks and the state level banks should be the members of the Board:
- (ii) The Governing Council of the Board shall comprise:
 - (a) three persons from among the Chairmen-cum-Managing Directors of the ICCB by rotation;
 - (b) the Managing Director of the SLDB¹;
 - (c) the Managing Director of SCB¹;
 - (d) the Secretary of the Department of Co-operation, State Government;
 - (e) one representative of the RBI/ARDC;
 - (f) one management expert to be nominated by the Governing Council; and
 - (g) Executive Director of the Board (Ex-officio Member Secretary).

4.10 The Board should be entrusted with the entire range of personnel management functions covering all the co-operative banking personnel in the state. In particular;

¹Pending integration at the state level, whereafter the Managing Director of ISCB will be the member.

- (i) the Board should directly recruit and place all persons of the middle and senior levels and for this purpose, the Board should constitute a cadre of co-operative bank officers;
- (ii) the Board should prepare periodically selection lists of the candidates for clerical level based on scientific selection tests. The ICCB should be asked to make the clerical appointment from the selection lists supplied to them;
- (iii) the Board should conduct special selection tests and interviews for promotion to higher posts from clerical to supervisory category or from supervisory to junior executive positions. The Board should formulate a promotion policy for banking personnel based on merit and experience and provide fair and equitable chances to all eligible candidates;
- (iv) the Board should directly maintain the service records of all cadre managers (middle and senior level officers) and develop a management development programme for them through job rotation, special assignments, formal training, etc;
- (v) the Board should institute a performance appraisal system for all cadre managers, develop personnel inventory reports, prepare management succession charts for the district as well as the state level banks, groom the middle level managers for assuming higher responsibilities and whenever openings at senior level arise fill them from within;
- (vi) the Board would identify the special training needs of personnel at different levels from time to time, get the appropriate instruction material developed and monitor the training programmes through the existing agencies;
- (vii) as an encouragement to large number of clerks who aspire for promotion and incentives, the Board should conduct a special diploma examination in co-operative banking, preferably in the regional languages, on the lines of CAIIB examination so that the successful candidates may be given special increments as incentive and the success in the examination may be considered as one of the criteria for promotion to the next level;
- (viii) the Study Group is not in favour of deputation of government staff to the banks—a practice which is widely prevalent. We suggest that this practice be stopped by the proposed Board which should handle any case of deputation as an exception on its own merits; and
- (ix) the Board should prescribe qualifications for different categories of jobs and give wide publicity to them. It should interact directly with the Employment Exchanges.

4.11 In order to perform the above-mentioned functions effectively, the Board should have an adequate administrative machinery as indicated in Chart 3 appended.

4.12 The Board proposed by us should function truly as a professional body free from all political pressures. The functions to be performed by the Board call for a high degree of professional expertise and dynamic leadership. Therefore, extreme care has to be taken in the selection of the personnel of the Board and in particular its full-time Executive Director. We underline the following as the essential requirements of the full-time Executive Director of the Board:

- (i) he should be a person of senior status of the level of Chairman-cum-Managing Director of the apex bank. Seniority in age and senior status are not synonymous;
- (ii) he should be a person who is thoroughly conversant with techniques and modern practices of management and should have conceptual skill besides technical competence to guide functional experts working with him. It is desirable but not essential that he has some banking experience;
- (iii) he should be a co-opted member of the Board of Directors of the SLDB and the SCB;
- (iv) he should be a results-oriented person in that he should be able to institute a system of MBO (Management by objectives) in the co-operative banking sector; and
- (v) his age should be such that it should motivate him to make a worthwhile contribution during his professional career; persons nearing superannuation, however competent in their previous posts, are unsuited to this position.

4.13 To sum up our recommendations:

Perspective Manpower Planning

(a) The personnel requirements for different jobs at different levels need to be carefully assessed on a long-term basis, say, five years in the light of development plan envisaged and awaiting implementation so that an effective recruitment programme could be drawn up, taking into account the new job openings and job requirements in terms of personnel skills, the likely exit of personnel over the next five years and the new skills and experiences acquired by the personnel through training.

(b) A management succession programme in terms of identifying potential executives and grooming them in the senior positions in each organisation should be drawn up after identifying the key jobs, the

skills requirements therefor and the availability of skills and potentials within the organisation.

(c) Each institution should develop an executive skill inventory of each executive indicating the executive strengths and weaknesses.

Recruitment and Placement

The recruitment standards need to be reviewed and realistically developed, the objective behind them being to develop position requirements in terms of skills, to design and conduct selection tests and interviews, to design and review executive compensation structure and to formulate policy regarding promotion, placement, retirement, etc.

Appraisal and Development

Executive appraisal system should cover both performance on the present job and potential for other assignments. The training requirements of the co-operative banking personnel after integration could be viewed in terms of (a) familiarisation training, i.e., familiarising the co-operative banking personnel with long-term lending practices and land development banking personnel with short-term lending practices, (b) training in developing special skills, i.e., project appraisal techniques, perspective planning techniques, etc., and (c) training in co-operative bank management.

Industrial Relations

There is need for developing a state level perspective of industrial relations in the co-operative banking sector for formulating suitable policies and guidelines.

Personnel Research

There is need for systematic study by an independent agency of the emerging trends of personnel behaviour and their implications to management.

Personnel Development Board

Suitable provision may be made in the Co-operative Societies Act so that in each state, a central agency called State Co-operative Banking Personnel Development Board may be set up and legal status may be accorded to the same. The constitution of the Board may be drawn up on the following lines:

- (i) All the ICCB and the state level banks should be members of the Board.
- (ii) The Governing Council of the Board shall comprise three persons drawn from among the Chairmen-cum-Managing Directors of the ICCB by rotation, the Managing Directors of the SCB and the SLDB (pending apex level integration), the Secretary to the Government in the Department of Co-operation, a representative of the RBI/ARDC, a management expert nominated by the Governing Council and the Executive Director of the Board who will be its ex-officio Member-Secretary.

The Board should be entrusted with the entire range of personnel management functions covering all the co-operative personnel in the state. In particular the Board should :

- (i) directly recruit and place all personnel of the middle and senior levels,
- (ii) prepare periodical selection lists of the candidates for clerical level,
- (iii) conduct special selection tests and interviews for promotion to higher posts from clerical to supervisory cadre and from supervisory to junior executive positions,
- (iv) maintain service records of all the cadre managers,
- (v) institute a performance appraisal system for all cadre managers,
- (vi) identify the special training needs of personnel at different levels,
- (vii) conduct a special diploma examination in co-operative banking preferably in regional languages on the lines of the CAIIB examination, and
- (viii) handle cases of deputation of government staff to the bank, if there be any need therefor.

The Board should function truly as a professional body free from all political pressures. Extreme care should be taken in the selection of personnel of the Board and in particular its full-time Executive Director.

CHAPTER 5

BREAK-EVEN POINT AND VIABILITY OF
CCB AND BRANCHES

5.1 The All-India Rural Credit Survey Committee (1954) considered that a CCB with owned funds of Rs 3 lakhs and a working capital of Rs 20 lakhs to Rs 25 lakhs will be a viable unit. A decade later, in January 1965, the erstwhile Standing Advisory Committee on Rural and Co-operative Credit of the RBI revised upwards the norms to a loan business of Rs 1.00 crore and a working capital of Rs 1.50 crores. However, since there has been a considerable increase in the cost of inputs and services, as also in the establishment charges, the former leading to an automatic increase in the loan business, the latter to an increase in the cost of operation, the Rajasthan Study Team on Agricultural Credit Institutions headed by Dr C. D. Datey, Executive Director, RBI, had on an *ad hoc* basis considered a CCB in Rajasthan to be viable if its loans outstanding exceeded Rs 150 lakhs and potentially viable if they exceeded Rs 100 lakhs.

5.2 For achieving its primary objective of providing to all the affiliated PACS the entire gamut of credit requirements, namely, short-term, medium-term and long-term finance, the ICCB should have (i) an organisational set-up, whereby it would have spread throughout the district concerned through a network of branches, (ii) a well qualified and well trained staff devoted to the cause of the bank, (iii) a supervisory machinery that would keep a close watch over the end-use of funds made available by it to the agriculturists, especially those given for purposes of investment to generate a stream of income in future with which the borrower would be in a position to repay the investment loan availed of by him and (iv) a machinery to mop up the savings available within the district especially in semi-urban and rural areas.

5.3 The ICCB should also earn a reasonable profit to pay at least a minimum dividend of 5 per cent on its share capital besides meeting its commitments towards statutory reserve and agricultural credit stabilisation fund and other appropriations towards bad debt reserve, etc. However, in view of the considerable diversity prevailing in the country on account of geographical, economic, demographic, agricultural and to a certain extent social conditions, one cannot prescribe a uniform pattern of viability for an ICCB. Nor can the viability of an ICCB be ascertained on the basis of the number of branches it could open,

since some of the branches may prove to be unremunerative. It may not also be possible to precisely indicate the total number of branches an ICCB could open especially in the co-operative banking sector, the development of which has been quite uneven as between the various states in the country.

5.4 So, for the purpose of ascertaining the break-even point of the ICCB after the take-over of long-term financing by it, we have gone on the basis of the quantum of loan business which would subsist a particular number of branches under it. Given the number of branches, the staff required by it to man its Head Office as well as various branches and the salary grades for the different cadres, it should be possible to assess the total expenditure on staff as well as other establishment charges in a year. On this basis, we have proceeded to determine the level of business which would sustain the given annual establishment expenditure, from out of the margin that is available to the bank between its cost of raising the resources and the return on the deployment of the resources (vide Annexure 3). In Annexures 4, 5, 6 and 7 the economics of the ICCB with 25 branches, out of which 5 would be located at taluk headquarters, have been worked out. The five Class I branches would have the full complement of staff for technical, legal, supervisory and developmental functions, vide Annexure 5, while the remaining 20 branches will fall in the category of Class II branches and have only the skeleton staff, vide Annexure 6. However, the number of Class I branches will depend upon the volume of long-term loan business of the ICCB and the consequent increase in the income of the bank, which will facilitate the upgrading of Class II branches to the higher category. In Annexure 3 we have worked out the margin available to the ICCB on the basis of the cost of resources and the return on the deployment of resources. This margin has been worked out on the basis that out of every Rs 150 disbursed by the bank, Rs 100 would be for short-term (agricultural and non-agricultural) purposes and the remaining Rs 50 for long-term investment. Commensurate with the loans disbursed, the bank is expected to mop up rural surplus to the extent of at least 45 per cent of the loans issued. The share capital link will be 10 per cent in respect of short-term loans and 5 per cent in respect of long-term loans issued. The bank would be required to keep liquid resources as well as to meet the statutory requirements for purposes of liquidity by investing a part of its deposit liabilities in the form of government/trustee securities and fixed deposits with the apex co-operative banks. It may be seen from Annexure 3 that, on the above reckoning, the ICCB would be left with a margin of

Rs 3.73 for every Rs 150 issued by it as loans which would be available to it for meeting its establishment charges.

5.5 We have worked out 3 models on the following basis :

- Model I — Bigger banks with 5 Class I branches and 20 Class II branches (Annexures 4, 5, 6 and 7)
 Model II — Medium-sized banks with 5 Class I branches and 5 Class II branches (Annexures 8, 9, 10 and 11)
 Model III — Smaller banks with 5 Class I branches only (Annexures 12, 13 and 14)

Based on these exercises, we are of the view that to meet their respective costs of management on salaries and other expenditure, ICCB should have a minimum turnover of loan business as indicated in the table below :

Rs Crores				
Model	Total Management cost	Turnover of loan business	Viability in terms of loan business	Potential viability norm (50 percent of Col. 4)
1	2	3	4	5
I	0.33	13.38	13.40	6.70
II	0.16	6.58	6.60	3.30
III	0.12	4.89	4.90	2.45

Even with 50 per cent of the loan business indicated in Col. 4 above, the ICCB can be considered as potentially viable and can reasonably be expected to reach viability over a period of years, more so with the take over of long-term lending also. Out of the turnover indicated above, two-thirds would be towards short-term lending and the remaining one-third towards long-term lending. It is pertinent to note here that with the increase in the proportion of long-term investment credit, the ability of the banks to maintain a larger staff will also be greater. The Study Groups appointed by the Committee on Integration to conduct detailed studies in selected states (e.g., Kerala Study Group), have observed that with a larger turnover of long-term credit, all the branches of the bank could have even technical staff.

Recommendation

5.6 In view of the fact that even a bank with a turnover of Rs 2.45 crores in Model III, could be treated as potentially viable,

which could work its way through to attain full viability in the course of a few years, more so on account of the take-over of long-term financing, we recommend that the ICCB should have no hesitation in (a) opening adequate number of branches, (b) providing reasonable pay scales and (c) equipping the Head Office and its branches with adequate special staff.

K. R. Subrahmanyam

Y. S. Borgaonkar

Varanasy S. Murty

C. L. Khemani

S. A. H. Razvi

M. S. Kulkarni

S. G. V. Ramanan

Bombay

17 July 1976

CHART I

ORGANISATIONAL CHART OF AN INTEGRATED STATE COOPERATIVE APEX BANK

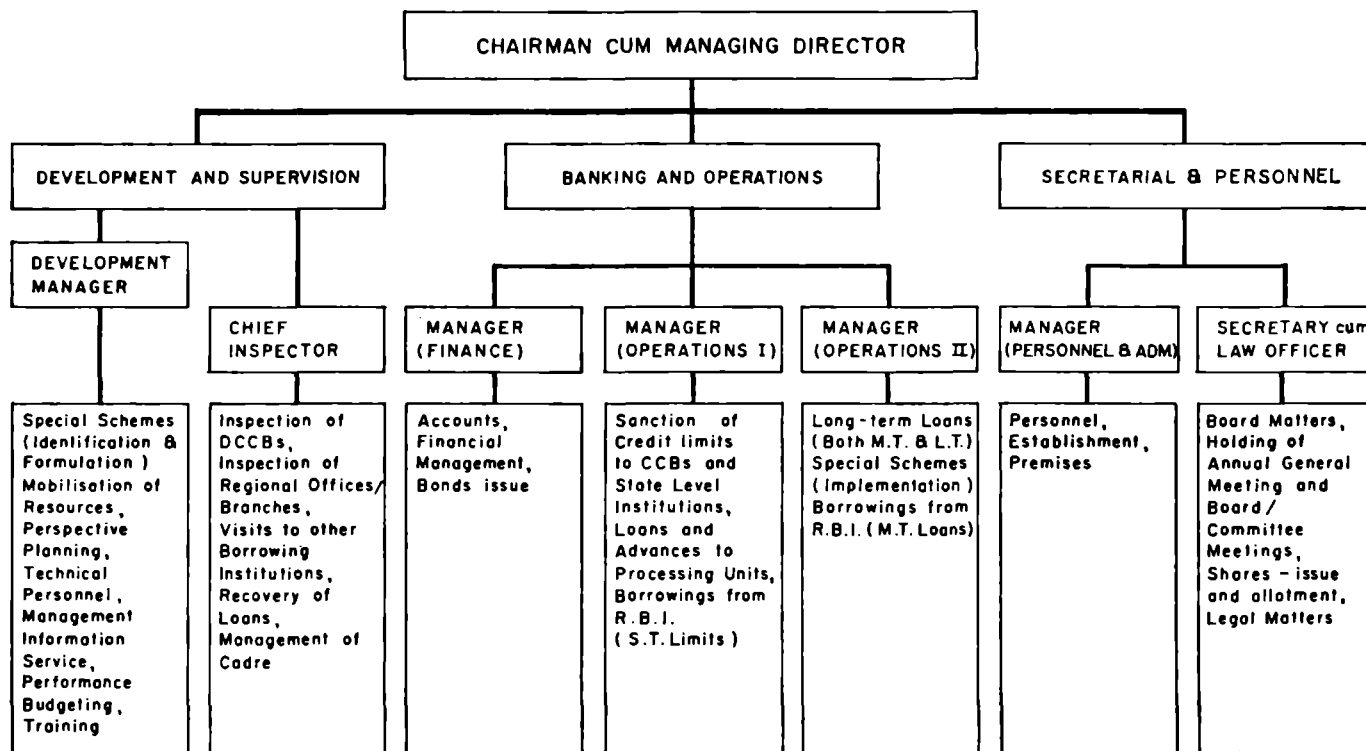


CHART 2
ORGANISATIONAL CHART OF AN INTEGRATED DISTRICT CENTRAL COOPERATIVE BANK
(WITH 25 BRANCHES)

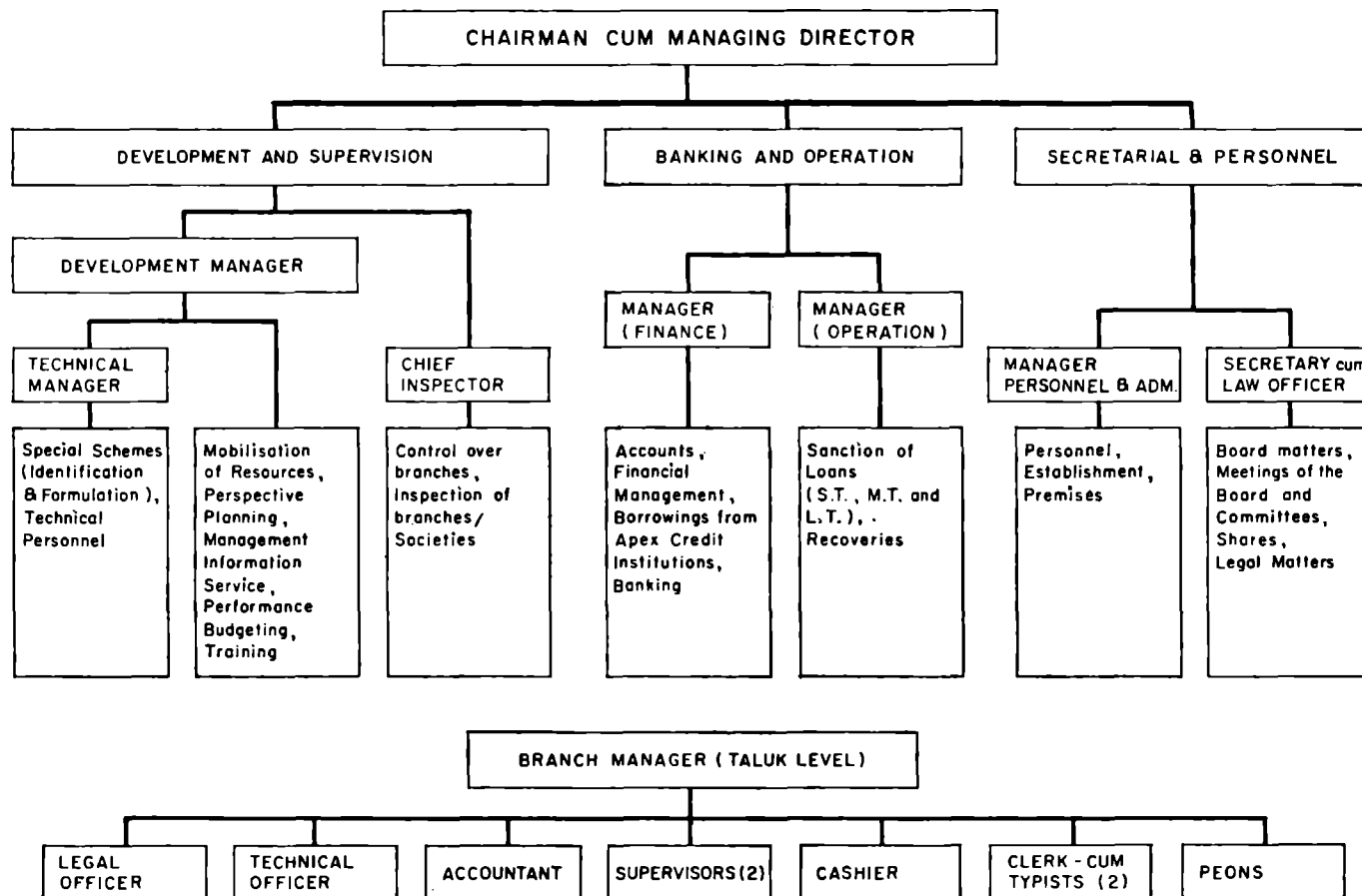
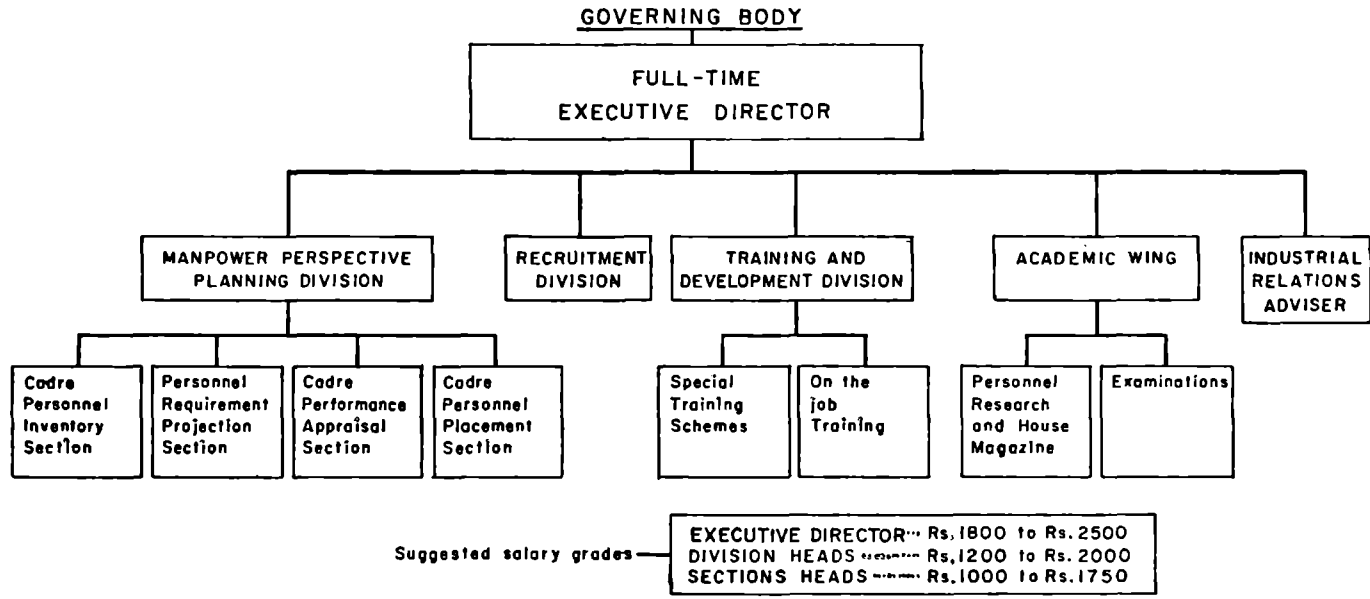


CHART 3
STATE COOPERATIVE BANKING PERSONNEL DEVELOPMENT BOARD



ANNEXURE 1

LIST OF INSTITUTIONS VISITED BY THE MEMBERS OF THE STUDY GROUP

BIHAR

1. The Bihar State Co-operative Bank Ltd., Patna.
2. The Bihar State Co-operative Land Development Bank Ltd., Patna.
3. The Dinapur—Masaurhi Central Co-operative Bank Ltd., Patna.
4. The Siwan—Chapra Central Co-operative Bank Ltd., Chapra Branch, Chapra.
5. The Bihar State Co-operative Land Development Bank Ltd., Chapra Branch, Chapra.

RAJASTHAN

1. The Rajasthan State Co-operative Bank Ltd., Jaipur.
2. The Rajasthan State Co-operative Land Development Bank Ltd., Jaipur.
3. The Jaipur Central Co-operative Bank Ltd., Jaipur.
4. The Ajmer Central Co-operative Bank Ltd., Ajmer.
5. The Jaipur District Co-operative Land Development Bank Ltd., Jaipur.
6. The Ajmer Co-operative Land Development Bank Ltd., Ajmer.

TAMIL NADU

1. The Tamil Nadu State Co-operative Bank Ltd., Madras.
2. The Tamil Nadu State Co-operative Land Development Bank Ltd., Madras.
3. The Kanchipuram Central Co-operative Bank Ltd., Kanchipuram.
4. The Madurai District Central Co-operative Bank Ltd., Madurai.
5. The Tamil Nadu State Co-operative Land Development Bank Ltd., Chingleput District Branch at Kanchipuram.
6. The Co-operative Primary Land Development Bank Ltd., Kanchipuram.
7. The State Bank of India, Agricultural Development Branch, Ayyampalayam, Madurai District.

UTTAR PRADESH

1. The Regional Rural Bank, Gorakhpur.

ANNEXURE 2

SCALES OF PAY RECOMMENDED FOR INTEGRATED CENTRAL CO-OPERATIVE BANKS UNDER MODELS I, II AND III

Sr. No.	Category/Designation	PAY SCALES		
		Model I Rs	Model II Rs	Model III Rs
A. MANAGERIAL				
1.	Managing Director	1000-50-1500	900-45-1260	800-40-1120
2.	Development Manager	900-45-1350	800-40-1120	750-35-1030
3.	Manager (Operations)	800-40-1200	750-35-1030	700-30-940
4.	Manager (Finance)	—do—	—do—	—do—
5.	Secretary & Law Officer	600-40-1000	—	—
6.	Chief Inspector	—do—	600-30-900	600-30-840
7.	Manager (Personnel & Administration)	—do—	—do—	—do—
8.	Manager (Technical)	—do—	—do—	—do—
9.	Accountant Grade I	400-40-800	400-30-700	400-30-700
10.	Branch Manager Grade I	—do—	—do—	—do—
11.	Statistician	—do—	—	—
12.	Branch Manager Grade II	300-30-600	300-30-600	—
13.	Accountant Grade II	—do—	—do—	300-30-600
14.	Assistant Chief Inspector	300-30-600	300-30-600	300-30-600
15.	Manager Grade II	—do—	—do—	—do—
B. TECHNICAL AND LEGAL				
1.	Legal Officer	400-40-800	400-30-700	400-30-700
2.	Technical Supervisor	350-35-700	300-30-600	300-30-600
C. FIELD STAFF				
1.	Assistant Development Officer	300-25-500	300-25-500	300-25-500
2.	Supervisor	250-25-500	200-25-400	200-25-400
3.	Junior Supervisor	200-25-400	—	—
D. CLERICAL				
1.	Clerk/Cashier/Typist	150-15-390	150-15-390	125-15-350
E. SUBORDINATE				
1.	Messenger/Peon/Driver/Watchman, etc.	100-10-200	100-10-200	80-10-160

Note: For details relating to classification of Models, please see Chapter 5 of the Report.

ANNEXURE 3

PROFIT MARGIN AVAILABLE TO ICCB

(ON A LOAN BUSINESS OF Rs 150, i.e., ST Rs. 100 AND LT Rs 50)

Models I to III

Cost of raising resources				Return on deployment of resources			
Item	Amount raised Rs	Cost		Item	Amount deployed Rs	Return	
		In percent	Amount Rs			In percent	Amount Rs
Share Capital	12.5	10	1.25	Cash Reserve	4	—	—
Reserves	6.5	—	—	Shares of Apex Bank	5	7	0.35
Deposits	67.0	6.5	4.36	Investments for purposes of statutory liquidity			
Borrowings				(i) Govt./Trustee Securities	9	6	0.54
(i) Short-term	50.0	9	4.50	(ii) Fixed deposits with Apex Bank	10	9	0.90
(ii) Long-term	50.0	8.5	4.25	Loans & Advances			
				(i) Short-term Agricultural loans	75	10½	8.05
				(ii) Long-term Agricultural loans	50	9½	4.75
				(iii) Non-agricultural Other assets	25 8	14 —	3.50 —
	<u>186.0</u>		<u>14.36</u>		<u>186</u>		<u>18.09</u>

(Margin: Rs 18.09—Rs 14.36=Rs 3.73)

Assumptions relating to Annexure 3

1. The cost of raising share capital has been assumed to be 10%, which means that the net profit of the ICCB has to be of the order of 10% of the paid-up share capital. 50% of the net profit will be used for paying a dividend of 5% on the shares, 40% will be utilised for appropriations to statutory reserve and stabilisation fund and the balance of 10% for other appropriations.
2. The proportion between share capital and reserves is assumed to be roughly 2 : 1. Of the owned funds of Rs 19, Rs 6 will be invested in the bank's loan business, Rs 5 in the shares of the apex credit institution to provide a link between its borrowings and share capital holding in the apex institution at the rate of 5% of the amount borrowed. The balance of Rs 8 will be invested in other assets like premises, dead stock, vehicles, etc.
3. It is also assumed that approximately 45% (Rs 67) of the loan issued of Rs 150 will be mobilised by the bank by way of deposits on the analogy of the existing link between deposits collected by CCB in various states to the loans outstanding vide Annexure 15. 35% of the deposits so collected (Rs 23) will be held in the form of cash reserves and by way of investments in Government and other Trustee securities as well as fixed deposits with the apex co-operative banks to meet the statutory liquidity requirements.
4. The entire short-term borrowings of Rs 50 are deemed to have been used for advances of Rs 75 for short-term agricultural loans.
5. The return on short-term agricultural loans is normally 11%. But, for the purpose of calculation, it has been taken as only 10½%, the balance of ½% being appropriated towards cadre funds to be maintained at the state level. Similarly, in the case of long-term loans, as against a return of 9½%, ½% will be utilised for the cadre fund.

ANNEXURE 4

SALARIES OF STAFF AT HEAD OFFICE OF AN INTEGRATED CENTRAL CO-OPERATIVE BANK IN MODEL I

No. of branches: 25
Of which, Class I 5
Class II 20

Sr. No.	Designation	Pay scale Rs	No. of posts	Monthly pay assumed Rs	Consolidated allowances Rs	Consolidated salary Rs	Annual expenditure Rs
1.	Managing Director	1000-50-1500	1	1,250	250	1500	18,000
2.	Development Manager ..	900-45-1350	1	1,125	250	1,375	16,500
3.	Manager (Operations) ..	800-40-1200	1	1,000	250	1,250	15,000
4.	Manager (Finance) ..	—do—	1	1,000	250	1,250	15,000
5.	Secretary & Law Officer ..	600-40-1000	1	800	300	1,100	13,200
6.	Chief Inspector ..	—do—	1	800	300	1,100	13,200
7.	Manager (Personnel & Administration)	—do—	1	800	300	1,100	13,200
8.	Manager (Technical) ..	—do—	1	800	300	1,100	13,200
9.	Accountant Grade I	400-40-800	1	600	350	950	11,400
10.	Statistician	—do—	1	600	350	950	11,400
11.	Accountant Grade II ..	300-30-600	2	450	350	800	19,200
12.	Manager Grade II ..	—do—	4	450	350	800	38,400
13.	Asst. Chief Inspector ..	—do—	1	450	350	800	9,600
14.	Clerk/Typist/Cashier/	150-15-390	30	240	360	600	2,16,000
15.	Peon/Watchman/Driver/Messenger	100-10-200	15	150	225	375	67,500
						Total:	4,90,800

ANNEXURE 5

SALARIES OF STAFF IN A CLASS I BRANCH OF AN INTEGRATED CENTRAL CO-OPERATIVE BANK

Model I

Sr. No.	Designation	Pay scale	No. of posts	Monthly pay assumed	Consolidated allowances	Consolidated salary	Annual expenditure
		Rs		Rs	Rs	Rs	Rs
1.	Branch Manager Grade I	400-40-800	1	600	350	950	11,400
2.	Legal Officer	—do—	1	600	350	950	11,400
3.	Technical Supervisor	350-35-700	1	525	350	875	10,500
4.	Accountant Grade II	300-30-600	1	450	350	800	9,600
5.	Assistant Development Officer	300-25-500	1	400	350	750	9,000
6.	Supervisor	250-25-500	2	375	350	725	17,400
7.	Junior Supervisor	200-25-400	1	300	350	650	7,800
8.	Clerk/Typist	150-15-390	4	240	360	600	28,800
9.	Cashier	—do—	2	240	360	600	14,400
10.	Peon/Driver/Watchman/Messenger	100-10-200	5	150	225	375	22,500
						Total	1,42,800
						For 5 branches	7,14,000

ANNEXURE 6

SALARIES OF STAFF IN A CLASS II BRANCH OF AN INTEGRATED CENTRAL CO-OPERATIVE BANK

							Model I
Sr. No.	Designation	Pay scale	No. of posts	Monthly pay assumed	Consolidated allowances	Consolidated salary	Annual expenditure
		Rs		Rs	Rs	Rs	Rs
1.	Branch Manager Grade II	.. 300-30-600	1	450	350	800	9,600
2.	Supervisor	.. 250-25-500	1	375	350	725	8,700
3.	Junior Supervisor	.. 200-25-400	2	300	350	650	15,600
4.	Clerk/Typist/Cashier	.. 150-15-390	3	240	360	600	21,600
5.	Peon/Messenger	.. 100-10-200	2	150	225	375	9,000
						Total	64,500
						For 20 branches	12,90,000

ANNEXURE 7

TOTAL ANNUAL EXPENDITURE ON ESTABLISHMENT OF AN INTEGRATED CENTRAL CO-OPERATIVE BANK

Model I

Sr. No.	Items of Expenditure	Amount Rs lakhs	
1.	Salaries of Head Office staff	4.91	
2.	Salaries of branch staff:		
	5 Class I branches	7.14	
	20 Class II branches	12.90	
(a)	Total salaries of staff	24.95	The proportion between (a) and (b) is assumed as 3:1 on the basis of statistics collected for a few states, vide Annexure 16.
(b)	Other establishment cost	8.32	
(c)	Total Management Cost	33.27	

To sustain the total management expenses of Rs. 33.27 lakhs, the loan business should be Rs 13.38 crores on the basis that the available margin is Rs 3.73 for every Rs 150 distributed as loan, as per Annexure 3.

ANNEXURE 9

SALARIES OF STAFF OF A CLASS I BRANCH OF AN INTEGRATED CENTRAL CO-OPERATIVE BANK

							Model II
Sr. No.	Designation	Pay scale Rs	No. of posts	Monthly pay assumed Rs	Consolidated allowances Rs	Consolidated salary Rs	Annual expenditure Rs
1.	Branch Manager Gr. I	400-30-700	1	550	300	850	10,200
2.	Legal Officer	—do—	1	550	300	850	10,200
3.	Accountant Gr. II	300-30-600	1	450	300	750	9,000
4.	Technical Supervisor	—do—	1	450	300	750	9,000
5.	Assistant Development Officer	300-25-500	1	400	300	700	8,400
6.	Supervisor	200-25-400	3	300	300	600	21,600
7.	Clerk/Typist	150-15-390	4	240	360	600	28,800
8.	Cashier	—do—	2	240	360	600	14,400
9.	Peon/Watchman/Driver/Messenger	100-10-200	4	150	225	375	18,000
							Total . . . 1,29,600
							For 5 branches . . . 6,48,000

ANNEXURE 11

TOTAL ANNUAL EXPENDITURE ON ESTABLISHMENT OF AN INTEGRATED CENTRAL CO-OPERATIVE BANK

Model II

Sr. No.	Items of Expenditure	Amount Rs Lakhs	
1.	Salaries of Head Office staff	3.82	
2.	Salaries of branch staff :		
	5 Class I branches	6.48	
	5 Class II branches ..	1.98	
	(a) Total salaries of staff	12.28	The proportion between (a) and (b) is assumed as 3:1 on the basis of statistics collected for a few states, vide Annexure 16.
	(b) Other establishment cost ..	4.09	
	(c) Total Management Cost ..	16.37	

To sustain the total management expenses of Rs 16.37 lakhs, the loan business should be Rs 6.58 crores on the basis that the available margin is Rs 3.73 for every Rs 150 distributed as loan.

ANNEXURE 12

Model III

SALARIES OF STAFF AT THE HEAD OFFICE OF AN INTEGRATED CENTRAL CO-OPERATIVE BANK

5 Class I branches only
(No other branches): 1

Sr. No.	Designation	Pay scale Rs	No. of posts	Monthly pay Rs	Consolidated allowances Rs	Consolidated salary Rs	Annual expenditure Rs
1.	Managing Director	800-40-1120	1	960	225	1,185	14,220
2.	Development Manager	750-35-1030	1	890	225	1,115	13,380
3.	Manager (Operations) ..	700-30-940	1	820	225	1,045	12,540
4.	Manager (Finance) ..	—do—	1	820	225	1,045	12,540
5.	Manager (Personnel & Admn.) ..	600-30-840	1	720	250	970	11,640
6.	Chief Inspector ..	—do—	1	720	250	970	11,640
7.	Manager (Technical)	—do—	1	720	250	970	11,640
8.	Accountant Gr. I	400-30-700	1	550	300	850	10,200
9.	Accountant Gr. II	300-30-600	1	450	300	750	9,000
10.	Manager Gr. II	—do—	2	450	300	750	18,000
11.	Asst. Chief Inspector	—do—	1	450	300	750	9,000
12.	Clerk/Typist/Cashier	125-15-350	20	230	345	575	1,38,000
13.	Peon/Driver/Watchman/Messenger	80-10-160	8	120	180	300	28,800
						Total..	3,00,600

ANNEXURE 13

SALARIES OF STAFF OF A CLASS I BRANCH OF AN INTEGRATED CENTRAL CO-OPERATIVE BANK

Model III

Sr. No.	Designation	Pay scale Rs	No. of posts	Monthly pay Rs	Consolidated allowances Rs	Consolidated salary Rs	Annual expenditure Rs
1.	Branch Manager	400-30-700	1	550	300	850	10,200
2.	Legal Officer	—do—	1	550	300	850	10,200
3.	Accountant Gr. II ..	300-30-600	1	450	300	750	9,000
4.	Technical Supervisor ..	—do—	1	450	300	750	9,000
5.	Assistant Development Officer ..	300-25-500	1	400	300	700	8,400
6.	Supervisor	200-25-400	2	300	300	600	14,400
7.	Clerk/Typist/Cashier ..	125-15-350	5	230	345	575	34,500
8.	Peon/Driver/Watchman/Messenger	80-10-160	4	120	180	300	14,400
Total..							1,10,100
For 5 branches..							5,50,500

ANNEXURE 14

TOTAL ANNUAL EXPENDITURE ON ESTABLISHMENT OF AN INTEGRATED CENTRAL CO-OPERATIVE BANK

Model III

Sr. No.	Items of Expenditure	Amount Rs Lakhs	
1.	Salaries of Head Office staff	3.01	
2.	Salaries of branch staff	.. 5.51	
	(a) Total salaries of staff ..	.. 8.52	The proportion between (a) and (b) is assumed as 7:3 on the basis of statistics collected for a few states, vide Annexure 16.
	(b) Other establishment cost	.. 3.65	
	(c) Total Management Cost	.. 12.17	

To sustain the total management expenses of Rs 12.17 lakhs, the loan business should be Rs 4.89 crores on the basis that the available margin is Rs 3.73 for every Rs 150 distributed as loan.

ANNEXURE 15

RATIO OF DEPOSITS TO LOANS OUTSTANDING OF DISTRICT CENTRAL CO-OPERATIVE BANKS IN DIFFERENT STATES As on 30 JUNE 1974

Rs Lakhs

Sr. No.	State								Loans outstanding	Deposits	Percentage of Col. 4 to Col. 3
1	2								3	4	5
1.	Punjab	..	..	..	..	..	..	..	5509.92	5779.36	104.89
2.	Maharashtra	..	..	..	..	..	..	..	23851.74	17719.23	74.29
3.	Gujarat	..	..	..	..	..	..	..	20192.20	12789.95	63.34
4.	Uttar Pradesh	..	..	..	..	..	..	..	11543.06	6982.41	60.49
5.	Kerala	..	..	..	..	..	..	..	4792.52	2862.89	59.74
6.	Tamil Nadu	..	..	..	..	..	..	..	10639.89	6272.22	58.95
7.	Haryana	..	..	..	..	..	..	..	3078.06	1780.78	57.85
8.	Karnataka	..	..	..	..	..	..	..	8343.06	4491.90	53.84
9.	Andhra Pradesh	..	..	..	..	..	..	..	5477.00	2822.40	51.53
10.	Rajasthan	..	..	..	..	..	..	..	3666.52	1559.54	42.53
11.	Madhya Pradesh	..	..	..	..	..	..	..	9826.26	3739.26	38.05
12.	Bihar	..	..	..	..	..	..	..	3014.17	1031.58	34.22

Source: Statistical statements relating to the Co-operative Movement in India: 1973-74.

ANNEXURE 16
RATIO OF MANAGEMENT COST TO WORKING CAPITAL IN THREE SELECTED STATES
As on 30 JUNE 1974

										Rs Thousands		
Bank/States				Cost of staff	Other Establish-ment Charges	Total Manage-ment Cost (1+2)	Total Working Capital	PERCENTAGE OF				
								Staff cost to total manage-ment cost	Other establish-ment charges to to total manage-ment cost	Staff cost to working capital	Other establish-ment cost to working capital	Total manage-ment cost to working capital
				1	2	3	4	5	6	7	8	9
A. Central Co-operative Banks												
Andhra Pradesh	..	..	..	1,87,27	62,20	2,49,47	73,90,39	75.07	24.93	2.53	0.84	3.37
Tamil Nadu	..	..	..	2,22,37	1,05,67	3,28,04	1,36,21,30	67.79	32.21	1.63	0.78	2.41
Madhya Pradesh	..	..	..	3,00,37	1,11,27	4,11,64	1,24,96,22	72.97	27.03	2.40	0.89	3.29
B. Primary Land Development Banks												
Andhra Pradesh	..	..	..	1,20,50	99,87	2,20,37	1,09,55,71	54.68	45.32	1.10	0.91	2.01
Tamil Nadu	..	..	..	81,81	41,03	1,22,84	1,27,53,86	66.60	33.40	0.64	0.32	0.96
Madhya Pradesh	..	..	..	70,78	29,88	1,00,66	52,50,63	70.32	29.68	1.35	0.57	1.92
C. Total (A + B)												
Andhra Pradesh	..			3,07,77	1,62,07	4,69,84	1,83,46,10	65.51	34.49	1.68	0.88	2.56
Tamil Nadu	..			3,04,18	1,46,70	4,50,88	2,63,75,16	67.46	32.54	1.15	0.56	1.71
Madhya Pradesh	..			3,71,15	1,41,15	5,12,30	1,77,46,85	72.45	27.55	2.09	0.80	2.89
				9,83,10	4,49,92	14,33,02	6,24,68,11	68.60	31.40	1.57	0.72	2.29

Source: Statistical Statements relating to Co-operative Movement in India: 1973-74.

REPORT OF THE WORKING GROUP
LEGAL MATTERS

CHAPTER 1

INTRODUCTION

1.1 The Committee on Integration of Co-operative Credit Institutions set up by the RBI constituted a Working Group on Legal Matters to examine to what extent the legal framework obtaining today concerning the co-operative credit institutions stood in the way of providing short, medium and long-term credit to the farmers in an integrated manner at one contact point, and to suggest ways and means of removing legal impediments, if any. The Working Group consisted of the following members :

- (i) Shri R. M. Halasyam, Legal Adviser to the Indian Banks' Association, (Retired Legal Adviser to the RBI)—Chairman;
- (ii) Shri Jayakumar Anagol, I.A.S., Registrar of Co-operative Societies, Government of Karnataka;
- (iii) Shri S. N. De, Senior Director,¹ Agricultural Refinance & Development Corporation, Bombay;
- (iv) Shri Y. S. Borgaonkar, Joint Chief Officer, Agricultural Credit Department, RBI, Bombay;
- (v) Shri S. G. V. Ramanan, Director, Agricultural Refinance & Development Corporation, Bombay—Member-Secretary of the Committee; and
- (vi) Shri M. V. Gupta, Asstt. Legal Adviser, Legal Department, RBI, Bombay.

Guidelines to the Working Group

1.2 The guidelines issued to the Working Group are given in Annexure 1.

Method of Enquiry

1.3 The Group first examined the provisions of the relevant laws, rules and bye-laws in certain selected states, viz., Andhra Pradesh,

¹ Shri S. N. De was a member of the Working Group upto 12 March 1976.

Maharashtra, Punjab and West Bengal to find out how far they were restrictive in nature in providing loans for agricultural and allied purposes. Subsequently the Chairman, Shri R. M. Halasyam accompanied by Shri M. V. Gupta visited certain selected states, viz., Uttar Pradesh, Madhya Pradesh, Maharashtra, Andhra Pradesh and Karnataka and discussed with the Registrars of Co-operative Societies, and officials of the SLDB and SCB on certain specific legal issues arising out of its terms of reference.¹

1.4 The Group also obtained information from the Regional Offices of the ARDC on the possible implications of the proposed integration at the different levels and, in particular, the restrictions prevailing under the existing laws in the respective states on the admission of members, diversification of lending by the LDB and the procedures for recovery of the dues from the members of the co-operative societies. Suggestions were also invited in regard to modifications, necessary in the existing laws or provisions to be incorporated in any law framed for effecting integration.

Meetings

1.5 The Working Group held, in all, four meetings. The draft report was finalized and approved by the Group at its fourth meeting held on 13 July 1976, at Bombay.

Acknowledgements

1.6 The Working Group is grateful to the Registrars of Co-operative Societies, and officials of the SLDB and SCB in the states of Uttar Pradesh, Madhya Pradesh, Maharashtra, Andhra Pradesh and Karnataka, for extending their full co-operation and giving their valuable views on various questions posed to them. The Group also acknowledges with thanks the material supplied by the Regional Offices of the ARDC and by the various Study Groups set up by the Committee in certain selected states, and the assistance rendered by the Committee's Secretariat in the Group's work.

1.7 The rest of the members of the Group express their great appreciation of the efforts put in by Shri M. V. Gupta in collecting

¹ Shri A. P. Mukundan, Deputy Director in the Committee's Secretariat accompanied the Group Members during their visits to the States of Uttar Pradesh, Madhya Pradesh and Maharashtra and Shri S. Krishnamurthy, Deputy Director in the Committee's Secretariat accompanied the Group Members during their visits to the States of Karnataka and Andhra Pradesh.

the relevant material from various sources, collating them in an orderly fashion, and in drafting the report of the Group.

CHAPTER 2

FEASIBILITY OF THE PROPOSED INTEGRATION UNDER THE EXISTING PROVISION OF CO-OPERATIVE LAW

Part A

PROPOSED INTEGRATION

2.1 While considering the question of integration, it is essential to keep in view the present structural organisation of the existing co-operative credit institutions. They mainly consist of the SCB, CCB and PACS in the short-term wing and the SLDB and PLDB in the long-term wing. The short-term wing has a three-tier system in most of the states; but in certain states like Himachal Pradesh, Tripura, Manipur, and Delhi it has a two-tier system. In both patterns the SCB is at the apex level and the PACS are at the primary level. Where there are three tiers, the third tier consists of the CCB at the district level. The long-term wing mainly consists of the LDB and the position relating to their structural set-up is set out as under in the report of the Committee on Co-operative Land Development Banks :

“Out of the 21 states and 9 union territories, there are central land development banks in 18 states and 1 union territory. Among these, the federal structure is obtaining in 10 states, viz., Andhra Pradesh, Assam, Haryana, Karnataka, Kerala, Madhya Pradesh, Orissa, Punjab, Rajasthan and Tamil Nadu. In 1 union territory, viz., Pondicherry and 6 states, viz., Bihar, Gujarat, Jammu & Kashmir, Maharashtra, Tripura, and Uttar Pradesh there is unitary structure for land development banking. Two states, viz., Himachal Pradesh and West Bengal follow a mixed type of organizational pattern. In Himachal Pradesh there is a primary land development bank in Kangra District which previously formed part of the Punjab and branches of the central land development

bank in the remaining areas of the state. Similarly in West Bengal in Purulia and Darjeeling districts, there are branches of the central land development bank and, in the remaining districts, the federal structure is prevalent." (Para : 3 Page : 34)

2.2 It would be observed from the above that while the short-term credit structure consists of three tiers in most of the states, the long-term structure consists of either two tiers or one tier. Therefore, any proposal for integration of these societies has to take into account the following alternatives :

Integration at the Primary Level

2.3 If integration is effected only at the primary level, it involves integration of functions of the short, medium and long-term lendings enabling the existing PACS to undertake long-term lending in addition to their present short and medium-term lendings. It may also involve a transfer of the existing members of the PLDB (which function mostly at the taluk level) as members of the several PACS in each taluk depending upon the area of operation of the latter and the residence of the concerned members. Also the share capital of these members in the PLDB and the loans and advances granted to them by these banks will have to be converted into the share capital in and the loans and advances granted by the concerned PACS. The integrated PACS inside the area of operation of each PLDB would become members of that bank. The PLDB will continue to be liable to the SLDB for the amounts already borrowed from that bank and they will act as the agencies through which the SLDB will disburse to the integrated PACS the finance required for long-term lending.

Integration at the Intermediate Level

2.4 Since in the long-term credit structure there is no institution corresponding to the CCB, the integration at the intermediate level may mean only a transfer to the CCB of the residuary assets and liabilities of the PLDB (after integration at the primary level). The residuary assets and liabilities may consist of items like the reserve fund and the loans borrowed from the SLDB. It thus follows that the integration of the two wings at the intermediate level also, will involve a partial transfer of assets and liabilities from the PLDB to the CCB. If, however, it is decided to have a new resulting institution on account of integration, it would involve the transfer to the resulting institution of the whole of the assets and liabilities of the CCB and the residuary assets and liabilities of the PLDB.

Integration at the Apex Level

2.5 This will involve an amalgamation of the existing SCB and the existing SLDB, either resulting in the formation of a new institution taking over of the undertakings of both these institutions, or one of the two institutions taking over the undertaking of the other.

2.6 Where the long-term institution has a unitary structure, integration at the intermediate and primary levels may involve only a transfer of assets and liabilities of the SLDB either to the PACS and CCB or to the resulting societies at each of these levels, as the case may be.

Part B**FEASIBILITY OF THE PROPOSED INTEGRATION UNDER THE EXISTING LAW**

2.7 A perusal of the Co-operative Societies Acts in force in the various states shows that they have broadly followed a uniform pattern relating to the establishment, management and winding up of co-operative societies in general. There is no separate law governing the co-operative banks as a separate class. As regards LDB, however, there are, in almost all the states, separate chapters in the Co-operative Societies Acts or separate enactments governing them. The Acts themselves do not refer to the unitary or federal system that is prevailing in the states concerned. In certain states like Maharashtra and West Bengal, the Acts or the Rules framed thereunder contain detailed classification and sub-classification of various kinds of co-operative societies. For instance, under the Maharashtra Co-operative Societies Act, Section 2 defines the various classes of co-operative societies, and the rules also provide for further details relating to the classification and sub-classification of the societies. Under the said Act, the Registrar designates the class to which a particular society should belong depending upon the objects, the area of operation and the purposes for which the co-operative society has been established. If a co-operative society is classified by the Registrar in terms of the enactment, the society cannot undertake the operations of any other class of society except with the previous permission of the Registrar, and subject to such terms and conditions as may be specified by him. Thus, a society which has been classified as a central co-operative bank or a state co-operative bank or a primary society cannot undertake the functions of another kind of society. However, powers are vested

in the Registrar to alter the classification of a society, and, in public interest, to allow a society of one class to undertake the activities of a society belonging to another class. (Please see Section 12(2) of the Maharashtra Co-operative Societies Act, 1960.) Powers are also vested in the Registrar to permit any co-operative bank to function as a land development bank, subject to such terms and conditions and for such period as the Registrar may deem fit. (Please see Section 142, *ibid.*) This, however, appears to have been intended to enable the Registrar to make temporary arrangement for long-term lending being undertaken by a short-term institution and is not intended to bring about integration as such of the long-term and short-term institutions.

2.8 In the states where such classification is not provided for in the Act or in the Rules, the class and the nature of a society may have to be determined by looking at the bye-laws of the society. The bye-laws dealing with the area of operation, membership, pattern of resource mobilisation and lending clearly indicate the class and the level of the society. Any enlargement of the functions of a society beyond what is mentioned in its bye-laws requires modification of the bye-laws. Thus, if a PACS, which under its bye-laws is a short-term lending institution, is to be entrusted with long-term lending, its bye-laws relating to objects, resource mobilisation, and lendings would require modification.

2.9 As stated above, in the existing framework of the legislation relating to co-operative societies, there is a separate set of legal provisions to govern the long-term lending institutions, originally called land mortgage banks and subsequently renamed as land development banks and in Andhra Pradesh called agricultural development banks. These provisions broadly indicate the purposes for which these banks can lend long-term loans, the manner in which their resources can be raised and special procedures relating to execution of mortgages by the members in favour of the LDB and recovery of loans from the members. These provisions do not apply to short-term or medium-term lending institutions, although the general provisions contained in the Co-operative Societies Acts apply to the LDB also.

2.10 The provisions relating to division, amalgamation or reconstruction of societies are contained in the Co-operative Societies Acts, which, in the light of what is stated above, apply to the LDB also. These normally provide for voluntary and compulsory division, amalgamation, etc. For voluntary division or amalgamation, it is necessary for the

societies concerned to pass resolutions with prescribed majority and give notice to all affected persons to exercise their option within the prescribed time either to continue as members of the new societies or demand payment of their share or interest or dues as the case may be, and to satisfy the claims or demands so made. Only after this, the society can obtain the requisite permission of the Registrar for such division or amalgamation.

2.11 Compulsory division or amalgamation can, however, be brought about by the Registrar by an order passed by him for the purpose. The Registrar can pass such an order in the interest of the public or in the interest of co-operative movement in the state or in the interest of the societies concerned. (The purposes differ from state to state and in certain state enactments there is no provision for compulsory division or amalgamation.) Under the procedure prescribed for compulsory division, amalgamation, etc., the Registrar is required to prepare a draft scheme in respect of such division, amalgamation, etc., in consultation with the federal society notified by the state government for the purpose and send it to the societies concerned calling upon them to invite objections or suggestions from any member or class of members or creditors within a prescribed period. In the light of such suggestions or objections, the Registrar may make such modifications in the draft order and then issue the final order. He is also required to ensure that the members or creditors who object to the scheme are paid their respective share or interest or other dues as the case may be. Until the above formalities are completed, the division or amalgamation, etc., is not final.

2.12 With the extension of deposit insurance to co-operative banks, amendments have been made to several state enactments governing co-operative societies to the effect that no division, amalgamation, re-organisation or re-construction of a co-operative bank shall take place, without the previous sanction in writing of the RBI. The Registrar is also required to obtain the RBI's consent in advance before bringing about compulsory division, amalgamation, re-organisation or re-construction of co-operative banks.

2.13 In the context of the proposed integration of the long-term and short-term credit institutions the question arises whether the existing provisions would not be sufficient to bring about the proposed integration. In this connexion, it is relevant to note that so far as voluntary division, amalgamation, re-organisation, etc., are concerned, it is

necessary for the concerned societies to take the initiative by passing necessary resolutions and obtaining the Registrar's permission. It is also necessary for the societies concerned to follow it up by issuing notices to all concerned and calling upon them to exercise their option either to continue as members of new societies or to withdraw. The formalities to be complied with in the above process are capable of involving considerable time. Even in the case of compulsory division, amalgamation, re-construction or re-organisation, the final amalgamation, etc., is brought about only after all the concerned parties have been served with notices and their claims have been satisfied. Since the aim behind the proposed integration of the short-term and long-term credit institutions is to achieve benefits to the individual members at large, such protracted procedures should be dispensed with. It should suffice if provision is made enabling the State Government to notify the proposed integration in the official Gazette together with details of such integration. Such a notification should have the effect of transferring and vesting in the transferee, or the resulting society, the assets and liabilities of the transferor society to such extent as may be specified in the scheme framed for the purpose. The notification should also constitute sufficient notice to the members, creditors and other persons concerned with the societies so integrated and the scheme as notified in the official Gazette shall not be called in question in any court of law on any grounds whatsoever. This will avoid the time lag involved in following the various formalities contained in the existing provisions of the Co-operative Societies Acts and help to bring about a quick integration of the short-term and long-term credit institutions. In this connexion it may be mentioned that the provisions of Section 78 of the West Bengal Co-operative Societies Act, 1973, could be broadly adopted for the above purpose. The provisions of the said section are reproduced in Annexure 2.

2.14 Provision may also have to be made to the effect that any scheme or notification as stated above shall be made with the prior approval of the RBI. This requirement cannot be dispensed with in view of the provisions of Section 2(gg) of the Deposit Insurance Corporation Act as the said scheme of integration may be regarded as a scheme of arrangement or amalgamation or reconstruction within the meaning of the said provision.

2.15 In this connexion, it is relevant to note two possible methods of integration, namely, (i) integration not resulting in the formation of a new society and (ii) integration resulting in the formation of a new

society. As one of the institutions involved in either of the above two possibilities happens to be a co-operative bank, it is necessary to examine as to what extent these two methods would come within the purview of the Banking Regulation Act, 1949 (B. R. Act).

2.16 To take up first the integration not resulting in the formation of a new society, it is possible that under this method, the undertaking of an LDB may be taken over by one or more co-operative banks resulting in the LDB finally getting liquidated. As the LDB are not governed by the provisions of the Act (vide Section 3(b) of the Act), any transfer of the undertaking of an LDB will not attract any of the provisions thereof. However, in case the undertaking of a co-operative bank is to be transferred to an LDB, the provisions of Sections 22 and 45 of the Act (as applicable to Co-operative Societies) may be attracted, because, after integration, the LDB will have to carry on banking business after suitably modifying its bye-laws. In view of the provisions of Section 22 of the B. R. Act, the integrated LDB cannot commence or carry on banking business unless it is granted a licence by the RBI for the purpose. Section 45 of the B. R. Act is attracted as, for the purposes of facilitating the transfer of the undertaking of a co-operative bank, an order of moratorium may have to be issued by the GOI under the provisions of the said Section.

2.17 Under the second method of integration, resulting in the formation of a new society, both Sections 22 and 45 of the B. R. Act may be attracted inasmuch as the undertaking (including assets and liabilities) of a co-operative bank stands transferred to the resulting society, and the resulting society will need a licence from the RBI to commence banking business, which was till then being carried on by the merging co-operative bank. In order to avoid the need for issue of a licence to the new institution under Section 22 of the B. R. Act, the said section, as further discussed later in Chapter 5, will have to be modified by insertion of a new provision to the effect that such integrated institutions may carry on banking business until the RBI advises them in writing that a licence under Section 22 cannot be granted. However, since the amendment to Section 22 as proposed above will have to be made by the Parliament, and as this may take some time, the RBI may be requested to procure for the integrated institutions exemptions under Section 53 of B. R. Act from the provisions of Section 22 *ibid*, for three years at a time, until Section 22 is so amended. Such exemptions will cease to become necessary as soon as a licence is granted by the RBI.

CHAPTER 3

FUNCTIONING OF THE INTEGRATED INSTITUTIONS

3.1 As the integrated institutions will be co-operative societies they would be governed generally by the provisions of the existing co-operative Societies Acts and the Rules in respect of their incorporation, management and winding up. However, having regard to the proposed enlarged functions, namely, carrying on banking business, granting of short, medium and long-term loans, not only for land development and seasonal agricultural purposes, but also for other agricultural activities such as animal husbandry, dairy farming, pisciculture, apiculture, sericulture, etc., it may be necessary to enlarge and broad-base the Boards of Directors or Committees of Management so as to include persons having special knowledge in those fields. In order to ensure this, it is recommended that a provision may be made in the co-operative law for nomination or appointment of Directors or Members on the Boards/Committees with special qualifications or experience in the particular fields, the power to nominate or appoint being vested in the state government concerned in respect of apex institutions, and in the Registrar in respect of intermediary institutions. A similar provision in respect of primary societies may not be necessary, as the processing and sanctioning of the loans may not be done at that level.

Interim Boards of Directors and Committees of Management

3.2 Pending formation of the regular Board(s) of Directors or Committee(s) of Management, and completion of the formalities relating to the process of integration, it would be advisable to constitute interim Boards or Committees consisting of persons nominated by the state government, which shall frame the initial set of bye-laws for the resulting institution or the necessary initial changes in the bye-laws of the existing society taking over the undertaking of the other society. A provision in this regard may be made in the schemes of integration to be formulated by the state government. The interim Boards may function for a period not exceeding one year from the date of appointment or for such other period as the state government may deem fit to fix or the formation of the regular Board or the Committee, whichever is earlier. The interim Boards, besides looking after the affairs of the integrated institution, shall also ensure a quick settlement of matters relating to integration as also formation of the regular Board(s) of Directors or the Committee(s) of Management, as the case may be, in accordance with the bye-laws.

Membership

3.3 In the context of the proposed diversification of lending by the integrated institutions, the composition of the membership of an integrated society assumes importance. Certain developmental projects such as energisation of tubewells, etc., may have to be implemented through corporate bodies like the State Electricity Boards, which may require financial assistance. Where the legal provisions do not enable the co-operative societies to admit such bodies as their members, providing financial assistance to such bodies becomes impossible. Recognising this short-coming in the existing law, amendments have been made to the Co-operative Societies Act in the State of Madhya Pradesh. (Please see Section 19(1)(d) of the Act.) In Andhra Pradesh, it is learnt that suitable amendments to Section 19 of the Andhra Pradesh Co-operative Societies Act are under contemplation. The Maharashtra Act already contains an enabling provision in Section 22(b) read with the second proviso thereunder for admission of a firm, company or any other body corporate constituted under any law for the time being in force, by a federal or an urban society or a society that conducts or intends to conduct an industrial undertaking, subject to such terms and conditions as may be laid down by the state government by general or special order. In the states where such an enabling provision is not contained in the Acts, resort is being made to the state government's general powers to exempt societies either in general or in particular from the application of certain provisions of the Act in specified cases. (For instance, Section 121 of the Karnataka Co-operative Societies Act, 1959, enables the State Government to grant such exemptions. A similar provision is found in almost all co-operative laws.) However, the Group recommends that in order to avoid delays in obtaining such exemptions, suitable modifications to the provisions of Co-operative Societies Acts in various states may be made (wherever it is necessary) on the following lines :

In the Section relating to "Persons who may become members", the following clause and proviso may be inserted as one of the sub-clauses :

"a firm, company or any other body corporate constituted under any law for the time being in force, or a society registered under the Societies Registration Act, 1960;

Provided that, subject to such terms and conditions as may be laid down by the State Government by general or special order, a firm

or company may be admitted as a member only of a federal or urban society." (Based on Section 22(i)(b) of the Maharashtra Co-operative Societies Act, 1960.)

3.4 An incidental point that arises for consideration is the existing procedure for admission of members in co-operative societies, in terms of which the Managing Committee or the General Body of a society is vested with the power either to allow or refuse admission; and in case of refusal, the aggrieved individual applicant may make an appeal to the Registrar, whose decision is final. In case the applicant does not receive any reply within a specified period, he shall be deemed to have been refused admission as a member of the society. (Please see Section 22(2) of Maharashtra Co-operative Societies Act, 1960, Section 59(3) of the West Bengal Co-operative Societies Act, 1973, and similar provisions in other state enactments.) These provisions need to be changed in their application to the co-operative credit institutions so as to provide that any individual applying for admission to a co-operative credit institution and who is eligible for such admission shall not be refused membership on any grounds whatsoever. In case such admission is to be revoked, it should be on an application by the Society concerned or by the Registrar *suo moto*. The above measure would effectively avoid the possibility of applicants from weaker sections being refused admission by the Committee of a society (which is possible under the existing provisions of law). The Rajasthan Government has brought about this amendment by adding the following provisos to sub-section (2) of Section 19 of the Rajasthan Co-operative Societies Act through the Rajasthan Co-operative Societies (Amendment) Act, 1976 :

"Provided that subject to the provisions of sub-section (1), every person including one belonging to weaker sections who applies for membership to the Assistant Registrar or to the Committee of a village service society, PLDB or a farmers service society shall be deemed to have been admitted to such membership with effect from the date of receipt of his application in the office of the Society :

"Provided further that the Registrar, on his own motion or on a complaint made by the committee of the society concerned or by any aggrieved person, may, notwithstanding anything to the contrary contained in this Act, order for the removal of the person admitted to such membership, if, after giving to such person an opportunity of being heard against the proposed removal and for reasons to be recorded by the Registrar, he is not eligible to be a member of such society and every such order, in the case of a complaint made by the

committee of the society or by any aggrieved person, shall be passed within thirty days of the receipt of the complaint by him.”

3.5 A similar provision has been made in the Karnataka Co-operative Societies Act also. Perhaps, the second proviso as set out above may be amended so as to require the Registrar to give to the society also an opportunity of being heard in favour of the proposed removal.

3.6 It is recommended that, wherever necessary, the state governments may make similar amendments to their respective co-operative laws making admission to integrated institutions automatic on filing of an application by an eligible person with powers to the Registrar either *suo moto* or on an application by the unit to cancel such admission. During the Working Group's visit to some of the states, although the officials, whom the Working Group members met, were in favour of the above change in the existing provision, they suggested that the Registrar should be vested with powers to remove a person who gets automatic admission on making an application, if he is found conducting himself in a manner detrimental to the interests of the society. It was further pointed out that the Registrar should be empowered to remove from the membership of the society persons who have become insolvent or have been convicted for offences involving moral turpitude, etc. The vesting in the Registrar of the power to cancel membership on the ground of ineligibility appears reasonable in view of the fact that under the revised provisions as above a person gets an automatic admission to the society without any verification of his eligibility. But vesting of the power to cancel the membership on other grounds such as the undesirability of any person's continuance as a member, does not appear necessary. The general body has got adequate powers in this regard.

Business of the Integrated Institutions

3.7 Before considering the rules of business to be adopted by the integrated institutions it would be advantageous to consider the existing provisions of the Act, Rules and bye-laws of the short-term and long-term credit institutions. The Co-operative Societies Acts provide for raising of resources, lending to the members and also recovery thereof. It is noticed that the main source of finance for the short-term lending institutions is share capital (including state government contribution), deposits of various kinds, special contributions by the state government and borrowings from other co-operative societies. In the case of some of the SCB, the bye-laws do provide for raising of resources by issue of

debentures. But this is sparingly resorted to by them. In the case of the LDB, funds are raised mainly through contributions to share capital and borrowings by issue of debentures which are secured by mortgages of immovable properties transferred or to be transferred from the PLDB and also guaranteed by the state government. In order to secure the interests of the debenture-holders, provisions are made in the Acts for the appointment of a Trustee and the execution of trust deeds with the Trustee for the redemption of the debentures on their due dates. It may perhaps be necessary to enable the integrated institutions to raise finances from the sources now available to both short-term as well as long-term credit institutions. In addition to them, it would be necessary to enable the integrated institutions, particularly those at the apex level, to borrow by way of loans and advances from financing institutions such as ARDC, IDBI, ICICI, RBI and such other financing institutions as may be approved by the Registrar or the state government, as the case may be. Further, acceptance of grants, gifts, donations, etc., from any person including corporate bodies, government or other authorities also may be provided for. Necessary provisions in this regard may be made in the bye-laws of the integrated institutions as given in Appendix VII¹.

3.8 In this connexion it becomes necessary to note the restrictions on the raising of long-term finance by issue of debentures which are required to be secured by mortgages of immovable properties transferred or to be transferred by the PLDB and upon the security of other assets of the LDB. The requirement relating to mortgage for issue of the debentures has always resulted in limiting the scope of resource mobilisation by the SLDB. Another consequence of the above requirement has been that the LDB have not been in a position to lend moneys to their members except against mortgage of lands. Thus certain kinds of land-holders such as permanent tenants (without rights of transfer of the land), protected tenants, etc., who could not create any mortgage on their holdings could not be given any loans for developmental purposes. In the present context of speedy agricultural development, this requirement may act as a hindrance in the implementation of certain agricultural projects particularly Command Area Development Projects, etc. Apart from this, if the existing requirements of law relating to floatation of debentures for raising long-term resources are to be continued, finances required for lending for purposes such as animal husbandry, fisheries, sheep rearing, pisciculture, sericulture, apiculture, etc., cannot be raised as no security in the form of land or other immovable properties may

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be available in these cases. Hence it is imperative that the integrated banks are enabled to raise finance by issue of bonds which are guaranteed by state government as to the repayment of principal and payment of interest and other charges due thereon or without such guarantee. The issue of bonds will have to be based on the projected programmes of the integrated banks during each financial year.

3.9 The Committee on Co-operative Land Development Banks has observed in its report that the ordinary debentures floated by the LDB receive support from various institutions and agencies such as Provident Fund Commissioner, Charity Commissioner, Insurance Companies and later by commercial banks, state governments and Government of India. It observed that the support to these debentures was forthcoming from the said institutions mainly because the debentures floated by the banks were trustee securities by virtue of their being guaranteed by the concerned state governments in regard to the repayment of principal and payment of interest.¹ It is presumed that similar support would be forthcoming even to the integrated co-operative credit institutions, in which case the powers for issuing debentures duly secured by mortgages of properties would lose much of its significance. In fact, the said Committee has recommended the issue of debentures simply guaranteed by the state government.

3.10 This raises a question whether the issue of debentures or issue of bonds is preferable for the purpose in view. In this connexion, it is relevant to note that although both debentures and bonds are instruments of the same legal character, namely acknowledgement of debt, in practice they differ in many respects. A debenture in practice, though not in law, is always required to be secured by a charge or mortgage. As such, in order to secure the interests of the debenture-holders, a trustee is invariably appointed in whom the rights in regard to the properties charged against the sums due under debentures are vested and a trust deed is executed setting out the mutual rights and liabilities of the trustee and the institution issuing the debentures. As bonds need not have such backing of securities, the appointment of a trustee and the execution of a trust deed will not be necessary. A debenture and a bond differ in form also. While a debenture is normally issued under common seal of the corporate body, it is enough if a bond is signed by the authorised officials of the body. Further, the debentures are worded as an agreement while a bond is not; the latter may very often

¹ Report of the Committee on Co-operative Land Development Banks, Chapter 8, Para: 4 Page: 138.

be in the form of a promissory note. The standard forms of debentures and bonds normally adopted by corporate bodies are furnished in Annexures 3(A) and 3(B).

3.11 Apart from what is stated above, the two instruments attract stamp duty at different rates. Debentures are liable to be stamped at the rates specified in Article 27 of the Indian Stamp Act and the bonds under Article 15 thereof. However, bonds issued in the form of a promissory note attract duty at the rates specified under Article 13(b) of the said Act. Although the stamp duty on a debenture is less than the stamp duty on a bond in the form of a promissory note, the transfer of a debenture attracts stamp duty at a substantial rate, but no stamp duty is payable on the transfer (by endorsement) of a bond in the form of a promissory note (vide clause (a) of the Exemption under Article 62 of the Indian Stamp Act). In addition, the bonds are easy to administer and also do not involve appointment of a Trustee as in the case of debentures.

3.12 It would, therefore, be preferable if the integrated institutions are enabled to raise resources through issue of bonds. In order to avoid any difficulty at the time of transfer of such bonds, it is recommended that bonds may be in the form of a promissory note which can then be transferable by mere endorsement and delivery. It is suggested that in order to avoid any financial burden in payment of stamp duty at the time of issue of bonds as indicated above, the GOI may exempt the issue of the above bonds by integrated banks from stamp duty. In this connexion, it may be noted that the GOI has granted similar exemption in respect of bonds issued in the form of promissory notes by the Industrial Finance Corporation of India under Section 21 of the Industrial Finance Corporation Act, 1948, in terms of GOI notification No. 8 dated 9th July 1949. If the GOI should find any difficulty in granting such total exemption, it may at least amend its notification S.O. 199 (E) dated 16 March 1976 by including in the proviso therein a reference to the ARDC. If this is done, the stamp duty payable on the bonds in question, which will be issued for securing finance from the ARDC, RBI and the commercial banks, will stand reduced to Rs 4 per thousand.

3.13 In certain co-operative laws the state government is vested with the power to prohibit, restrict or regulate the lending of money by any society or class of societies on the security of any property. The Rules prohibit granting of long-term loans by societies except the LDB. The

said exemption will have to be extended to the proposed integrated co-operative credit institutions.

3.14 As the issue of debentures by the LDB is at present linked to mortgages obtained or to be obtained, it has become obligatory for the LDB, under the existing provisions of law, to obtain mortgages of properties as security for any loans granted by them. The bye-laws of the LDB, therefore, invariably provide for obtaining mortgages on land and other immovable properties of the borrower for the purpose of granting loans to them. This has affected the lendings to be made by these institutions to weaker sections and other categories of land-holders, who are not in a position to create any charge or mortgage over their holdings, on account of certain prohibitions contained in tenancy laws, land ceiling legislations, etc. Thus, for example, in the State of Uttar Pradesh, there are two kinds of land-holdings namely Bhoomidhar and Seerdhar. (The earlier system of Assamee is now abolished.) A Bhoomidhar holder of the land is vested with transferable and inheritable rights over the land and as such is the absolute owner of the property, whereas the Seerdhar holder is not allowed to mortgage his holdings except to the SLDB. However, the Uttar Pradesh Land Revenue Code contains a provision for conversion of Seerdhar holdings into Bhoomidhar holdings by payment to the government an amount equivalent to 20 times the revenue assessment of the land. In Telengana area of Andhra Pradesh, there is a system of protected tenancy whereby the tenants cultivating the land are not vested with the powers of transfer of land either by way of sale or mortgage; nor are they vested with powers to create a charge over the land except with the permission of the Collector. Thus very often, creation of a mortgage over the landed property or other immovable property becomes impracticable and loans cannot be granted to the above categories of tenants. The problem assumes greater magnitude in the tribal areas of Assam, Manipur, Nagaland, Tripura, Meghalaya, and in certain districts of Andhra Pradesh and Madhya Pradesh. In these states/districts either there is no specific land-tenure system or land-holding is covered by customary laws which vary considerably from one locality to another. Further, there is an embargo on the transfer of property from a tribal holder to a non-tribal holder. Even these tribal holders do not have any right to property and the right to effect any transfer of the land is vested in the Village Chief, who is the legal holder of the land and allots them for purposes of cultivation to the members of the tribe or the clan. Thus taking into account this limitation also the existing requirement for obtaining of mortgage of lands or other immovable property very

often acts as a hindrance to the granting of loans and advances by the LDB.

3.15 In addition to what is stated above the execution of mortgage deeds involves making of lengthy documents, which entails some delay in spite of the fact that registration of such deeds has been very much simplified recently in various states. In this connexion suitable provisions have already been made in the various Co-operative Societies Acts exempting the mortgage deeds executed in favour of the LDB from registration with the Registrar of Assurances; it is enough if the LDB forwards to the Registrar of Assurances within a specified period, a copy of the mortgage deed executed by the borrowing member, and the Registrar on receipt of the said copy of the mortgage deed is required to file the same in the register maintained by him under Section 51 of the Indian Registration Act (vide Section 111(3) of the Andhra Pradesh Co-operative Societies Act, 1964, Section 122 of the Maharashtra Co-operative Societies Act, 1960, etc.).

3.16 It is relevant in this connexion to compare the provision relating to the creation of charge on immovable property in respect of short-term loans and the execution of mortgage deeds in respect of long-term loans. In the case of a charge on immovable properties for short-term loans, the law itself prescribes a brief form of declaration of charge where the particulars of the land over which the charge is created will be indicated; this will be a continuing charge on the property not only for the loans issued at the time of execution of the charge but also for loans and advances that may later be made to the declarant of the charge. In the case of mortgage, the practice followed by most of the LDB appears to be to obtain a mortgage deed for each loan. Thus, at the time of issue of every long-term loan a separate mortgage deed is being obtained, thereby causing avoidable delay in the disbursement of loans. Further, the charge created for a short-term loan is merely forwarded to the Registrar of Assurances for registration (and in some other states it is merely recorded in the Record of Rights maintained under the Land Revenue Code). Provision is also made in some state enactments granting priority to the charge in favour of a co-operative society, subject only to the claims of the government in respect of Land Revenue or any money recoverable as land revenue and the claims of the LDB in respect of their dues (vide Section 48(f) of Maharashtra Co-operative Societies Act). A mortgage executed in favour of an LDB is given priority over any claim of the government arising from loans granted after execution of the mortgage under the Land Improvement Loans Act, 1883, or the

Agriculturists Loans Act, 1884, or *under any other law for the time being in force*.¹ Thus, it may be noted that under the existing co-operative law the claims of a co-operative society under a charge or an LDB under a mortgage are subject to the claims of the government in respect of land revenue or sums recoverable as land revenue. The charge has first priority, subject only to claims of an LDB. The mortgage is, however, not conferred with any special priorities. Its priorities continue to be governed by the provisions of Section 48 of the Transfer of Property Act, 1882. The only special priority conferred on an LDB's mortgage is against the claims of the government in respect of loans granted under the Land Improvement Loans Act, 1883, and the Agriculturists Loans Act, 1884. This being so, there does not appear to be any special advantage accruing to an LDB by obtaining a mortgage in the normal form except that the mortgage is required to enable it to float debentures. Thus, there may not be any special disadvantage if a charge is created in respect of long-term loans as in the case of short-term loans. In this connexion it is noticed that the model law suggested by the Talwar Committee to facilitate provision of agricultural credit by commercial banks (which has been adopted by several states) also provides, *inter alia*, for creation of a charge on the land or other immovable property held by an agriculturist as security for financial assistance provided by the banks and the charge is given priority not only over subsequent charges or mortgages created in favour of government or a co-operative bank, but also priority over any charge or mortgage created in favour of any person other than the government or a co-operative society or any bank, notwithstanding that such charge or mortgage is prior in point of time. As such, the Group recommends that the integrated credit institutions should be enabled to grant long-term loans against a charge created on immovable properties of the borrowers which may not always be the land cultivated by him, but may be other immovable properties such as houses. Necessary provision may be made in the law relating to the integrated credit institutions in this regard.² It may be noticed that sub-section (5) of Section 13 of the Model Law² provides that a registered charge shall take effect from the date of execution thereof;³ and sub-section (6) thereof provides that a charge shall be deemed to create an interest in the immovable property. The said sub-section (6) also

¹ The words in italics which are found in Section 120 of the Maharashtra Co-operative Societies Act, 1961, and Section 122 of the Gujarat Co-operative Societies Act, 1961, are not found in the relevant Sections of the Andhra Pradesh Co-operative Societies Act and the Karnataka Co-operative Societies Act.

² Please see Model Law given in Annexure 4.

³ This brings the legal position in this regard on the lines of the provisions in the Indian Registration Act.

provides that registration of such charge will constitute a notice to all parties concerned. The charge is conferred with special priorities under Section 14 of the Model Law.

3.17 For purposes of administrative convenience and enforcement of charges it is suggested that the integrated credit institutions may obtain separate charges from the borrowing members, although upon the same land, one in respect of short-term loans and another in respect of long-term loans. Since the lending institution will be the same, the question of priorities between short-term loans and long-term loans will not arise. However, if integration does not take place at the apex level, the priorities given in respect of long-term loans under the existing co-operative law will have to be preserved.

3.18 Although the existing practice of getting mortgages may be substituted by obtaining charges on the immovable properties as stated above, the Working Group feels that a minimum enquiry will have to be made by the lending institutions in order to ascertain the borrowers' title to their holdings and encumbrances already subsisting on such holdings. This would particularly be relevant in the case of long-term loans where the amount of advances may be considerable and repayable over a long period. The enquiries made in this regard under the existing provisions of law differ from state to state. In Maharashtra, Andhra Pradesh, and West Bengal the usual evidence in support of the title to the properties called for is sale deeds, gift deeds, etc., the certified extracts from the records of rights maintained by the Revenue Officials such as khasra, encumbrance certificates from the Sub-Registrar of Assurances concerned, genealogical table of the borrower, etc. In addition, a system of public enquiry is followed. This involves notification of the loan applied for and the security offered thereto by affixing notices in the village *chavadi* and by beat of drum.¹ Nevertheless, the LDB and the Registrars in various states have been constantly exploring time-saving methods in carrying out these enquiries. For instance, in Andhra Pradesh it is stated that the public enquiry system is now given up under an order passed by the state government (presumably under Section 123 of the Andhra Pradesh Co-operative Societies Act) as the system is found to serve no purpose. It is reported that in Uttar Pradesh the SLDB has appointed a panel of lawyers at various centres to take out searches in the Sub-Registrar's office and submit their report thereon. The legal scrutiny of the documents is done by the bank's legal assistant in the

¹ Please see Section 98 of the Andhra Pradesh Co-operative Societies Act read with Rule 57 of the Rules framed thereunder.

district. In Andhra Pradesh also, the SLDB has appointed legal assistants to scrutinise the title to property, take out searches, etc.

3.19 The question arises in what manner the enquiry into the title of a borrower can be further simplified. The matter was considered earlier by the All-India Rural Credit Review Committee in 1969,¹ which discussed the introduction of the credit card system, thought of also by certain other earlier Committees. The Review Committee, however, felt that the introduction of this credit card system may not be feasible since keeping them up-to-date may pose practical problems. However, the credit card system considered by the Review Committee was expected to furnish information relating not only to the title of the borrower to his property, but also the loans borrowed by him from various institutions and the charges or mortgages created by him for securing such loans and the repayments thereof. While we agree that a credit card system containing all the above details may not be possible, we feel that it may be possible for the state governments to arrange to issue farmers' pass books (Bhoo Adhikar Patra); these pass books may contain details relating to the title of a person to the immovable property held by him and all relevant particulars such as location, survey numbers, boundaries, extent of land or other immovable properties, assessment, etc. The book may also show the charges created on the property by the holder thereof. The entries in this regard should be made compulsory, failure to do so should result in the ineffectiveness of such mortgage or charge *vis-a-vis* a mortgage or charge so entered in the book. We note that Madhya Pradesh, Rajasthan, Haryana and certain other states have already introduced similar pass books which are to be prepared by the Revenue authorities and handed over to each cultivator. The book prescribed in Rajasthan provides for inclusion of a certified copy of the plan of the property also.

3.20 The Group recommends introduction of farmers' pass books as above duly supported by suitable provisions of law making it obligatory for every land-holder to secure such book on payment of prescribed fee from Revenue authorities. In this connexion we may quote with advantage Section 114 A, which has been inserted in the Madhya Pradesh Land Revenue Code, 1959.

114A. "Bhoo Adhikar Evam Rin Pustika"—

- (1) It shall be obligatory upon every Bhumiswami, whose name is entered into the khasra or field book prepared under

¹ Vide paragraphs 50 to 53, Page 497, of the Report.

Section 114 to maintain a Bhoo Adhikar Evam Rin Pustika in respect of his all holdings in a village which shall be provided to him on payment of such fee as may be prescribed.

- (2) The Bhoo Adhikar Evam Rin Pustika shall be in two parts, viz., Part I consisting of rights over holding and encumbrances on the holding; Part II consisting of rights over holding, recovery of land revenue in respect of the holding and encumbrances of the holding and shall contain:
 - (i) Such of the entries of Khasra or field book pertaining to a holding of a bhumiswami, as may be prescribed.
 - (ii) Particulars in respect of recovery of land revenue, government loan and non-government loan in respect of such holding.
- (3) In case of any difference between the entries contained in the khasra or field book and the Bhoo Adhikar Evam Rin Pustika, the Tahasildar may, either on his own motion or on an application made to him in that behalf and after making such enquiry as he may deem fit, decide the same and the decision of the Tahasildar shall be final."

3.21 State Governments may consider introducing amendments to their respective land revenue codes.

3.22 Charge on land or other immovable property created in favour of integrated co-operative credit institutions at the primary level shall be deemed to be transferred and vested in the district level institution with a provision that the same would automatically be transferred and vested in the apex level institution, on the said institution making such a demand in writing. Such transfer and vesting is considered necessary in order to vest the authority in the district level institutions to enforce the charge as and when deemed necessary. Accordingly, suitable provisions are suggested in the Model Law in Annexure 4.

3.23 Apart from what is stated above, the lending procedures as are in vogue at present in the short and long-term credit structures do not appear to require any further simplification.

Recovery

3.24 The existing provisions for recovery of the moneys lent by co-operative societies as are contained in the Acts, and Rules and bye-laws

are very exhaustive and if fully enforced should prove to be effective. It is noticed that the co-operative societies are enabled to effect recoveries of their overdues through the Registrar, the civil courts or the revenue officials. Co-operative law also provides for issue of awards and certificates by the Registrar which are deemed to be decrees of a civil court for the purposes of execution and recovery. These awards or certificates are executed either through a civil court or through a Collector and in case of long-term institutions may be executed through sales officers or enquiry officers who are under the control of the Revenue or the Co-operative Department. It is suggested that this power of execution may be given to the officers of the lending co-operative society. Since these are institutional lenders and as the powers of recovery are only of ministerial nature, there should be no objection to implement this suggestion. Necessary amendments to give effect to this suggestion may be made in the relevant laws.

3.25 A suggestion, however, has been made that in addition to the powers that are vested in the Registrar, powers to arrest wilful defaulters should also be vested in him. It is argued that this would be a deterrent against wilful default by the borrowers of co-operative societies. The Committee may consider whether such powers should be vested in the Registrar. The Group, however, feels that the power in question could be more effectively exercised if vested in the Collector. Where, under the existing laws the Collector does not already have a power to direct the arrest of a wilful defaulter, a provision for the purpose may be made on the lines of Section 51 of the Code of Civil Procedure.

3.26 Although ample powers are vested in the Co-operative Societies and the Registrar as indicated above, it has been reported that in certain cases, the societies face considerable difficulties in effecting recoveries due to the following reasons:

- (i) Where lands secured to co-operative societies are acquired for public purposes under various legislations or under Land Reforms Acts, the compensation paid in respect of such lands or properties has been quite inadequate to meet the claims of the society.
- (ii) Borrowing members dispose of their harvested crop or other agricultural produce but fail to pay the dues to the societies.
- (iii) Lands offered as security by persons belonging to scheduled castes and scheduled tribes cannot be purchased by or transferred to persons not belonging to such castes/tribes.

3.27 These difficulties are examined below :

(i) In order to ensure repayment of the amounts borrowed from co-operative societies in the event of acquisition of land or other property secured to the co-operative societies, the authorities concerned should be required to adopt for the purposes of valuation of the properties so acquired the same criteria as banks and other credit institutions adopt while granting loans on the security thereof. For this purpose it would be necessary to amend the concerned enactments under which the properties are acquired. As these enactments are many and differ from state to state, it is suggested that the concerned state or the central government may bring about suitable amendments to the relevant enactments, to effect the suggestion made above.

(ii) Disposal of the harvested crops or other agricultural produce and failure thereafter to pay the dues to the societies is a difficulty that has to be countered by effective supervision and check over the borrowing members. The Group feels that while any legal restriction on the right to dispose of the property, though may be feasible in law, may not be practicable. It is likely to create difficulties by making intending purchasers less willing to purchase. It is also likely to affect sales by persons, who have not obtained financial assistance for production of their commodities.

(iii) As regards the restrictions relating to transfer of lands or other property offered as security to co-operative societies by persons belonging to the scheduled castes/tribes, the only way to remove the restrictions would appear to be to amend the legal provisions, if any, in that regard. However, having regard to the need for protection of the interests of such backward communities no such amendment would appear advisable. In the event of default a co-operative society which has made advances on the security of such properties should be enabled to take over the possession of the properties secured to it and give them on lease to other persons in the same tribe or community, and for such period and at such rent as may be necessary, the rent being payable to the co-operative credit institution in discharge of the loans made by it against that property. Until the loan is fully liquidated, the original holder of the property should be debarred from getting back possession of such property. A suitable provision in this regard is included in Section 17 of the Model Law furnished in Annexure 4.

3.28 One more category of agriculturists who are unable to obtain credit facilities from the co-operative societies at present are those cultivators who are cultivating land on crop-sharing basis. This

category of cultivators is very much prevalent in West Bengal and in many other states. A crop-sharer is one who is permitted by the landlord to cultivate the land at his own cost (in some cases the cost being shared between him and the landlord) without payment of any rent to the landlord but sharing the produce of the cultivation in an agreed proportion with the landlord. A crop-sharer is, therefore, not a tenant of the landlord but only a licensee, permitted by the landlord to enter upon his land for a specific purpose, viz., cultivation of the land. Legally speaking, the landlord is the actual owner and possessor of the land. As such, any loan that has to be granted for the purpose of development of such land has to be given to the landlord and not to the crop-sharer; and as such any documents relating to the loan or the security therefor have to be got executed by the landlord. Very often it may so happen that although the loan is necessary for effecting improvements to the land, the landlord may not be anxious to do so. In such cases, the development work may have to be carried out by the state government through its agencies and the cost of such developmental work will have to be regarded as dues to the government and accordingly should be recovered as arrears of land revenue. A similar difficulty may be faced by the integrated credit institutions also. Precedents of enabling legislation for this facility may be found in the Rajasthan Land Development Corporation Act, the Andhra Pradesh Command Area Development Projects Act, etc. It is, therefore, recommended that similar provisions may be made in the co-operative law to facilitate lending to crop-sharers.

3.29 The question, however, remains how these crop-sharers are to be granted loans for purposes of carrying out seasonal agricultural operations. The Group feels that under the existing provisions of the Co-operative Societies Acts a charge is automatically created on the produce of the land which would hold good even against the landlord.

3.30 There are instances where the person in whose favour a loan was granted on the belief that he was entitled to the land, was proved on investigation of title, to be not the real owner of the land; and, therefore, a charge or mortgage created by him on the land, turns out to be not binding. Since in these cases, money has been advanced for bonafide improvement of land, and the land has received the benefit of investment, it is not inequitable to provide by law that the true owner of the land cannot take the land free from encumbrances created on it. It is, therefore, suggested that in states where such a provision of law does not already exist, the law may be amended to provide the following:

where a loan has been made by a co-operative society to a person regarded as the owner of immovable property or a person lawfully in possession of the property, and the loan has been made for improvement of the property and has been utilised for that purpose, no person claiming to be the true owner of the property can take it without accepting the liability for the whole or part of the loan which has been utilised for improvement of the property. The Group is of the view that such a provision may not be regarded as discriminatory; it provides a facility for a well-defined class of lenders, viz., co-operative societies. In this connexion provisions of Section 16 of the Model Law given in Annexure 4 may please be seen.

3.31 Even when mortgage as a form of security for long-term lending, as suggested in paragraph 3.16 above, is dispensed with, still the problem of obtaining a valid charge on land holdings in tribal areas of Assam, Manipur, Nagaland, Tripura, Meghalaya, etc., would remain. As stated earlier, the right to transfer or encumber the land in these areas is said to vest in the village chief. However, this right is circumscribed by the custom of transferring the land only in favour of a person belonging to the same tribe or clan. It is not very clear whether under the present custom, the land can be encumbered as security for any moneys advanced to a tribal holder. If there is no such embargo, the village chief can create a charge on the land for securing the loans granted to the tribal holder; or alternatively the loans in these areas may be granted against the guarantee of the village chief and the others in the tribe. If this is also not possible, loans may be granted against state government guarantee. The Board or Committee of a co-operative society should be enabled to accept the available security depending on the merits of each case. A provision on the lines of Section 11(2) of the Model Law would enable the Board or Committee to do this.

CHAPTER 4

LEGAL ISSUES RAISED BY THE STUDY GROUPS

4.1 We examine below the various problems raised by the Study Groups appointed by the Committee in the states of Uttar Pradesh, Orissa, Kerala, Haryana and Gujarat :

Uttar Pradesh

To effect integration, transfer of membership and other assets of the SLDB branches to the DCCB may have to be made. Part of the assets and liabilities will have to be transferred to the PACS also.

4.2 We do not see any problem in effecting the aforesaid transfer of membership and other assets of the branches of the SLDB. As has been discussed in paragraph 2.3 *supra* the membership of the SLDB with a unitary structure can be transferred to the PACS having territorial jurisdiction over the residences of the members of the SLDB. A question may arise as to whether a compulsory transfer of membership of any individual from an existing society to a new society would be feasible and whether it would not be hit by Article 19 of the Constitution. No doubt, such a provision would not have the protection under Article 31A of the Constitution; still the same can be justified on grounds of public interest and interests of agricultural development in the state. As regards the transfer of the assets and liabilities of the branches of SLDB to the DCCB and the PACS, we do not see any legal difficulty, in effecting the same through a scheme of integration to be formulated by the state government as suggested earlier in this report.

The existing mortgages in favour of SLDB will have to be transferred in favour of DCCB.

4.3 It is not necessary to transfer to the DCCB the existing mortgages held by the SLDB as suggested by the Study Group. As a holder of the mortgages, SLDB will continue to be the mortgagee, if integration does not take place at the apex level. Where integration is effected at the apex level also, the mortgages would be deemed to have been made in favour of the transferee bank.

Amendments to the provisions of the Co-operative Societies Act may become necessary to enable the DCCB and PACS to extend long-term loans.

4.4 As has been observed already, the existing provisions of the Co-operative Societies Acts do not impose any restrictions on the sanctioning of short-term and long-term loans. In this connexion, we draw attention to Section 61 of the Uttar Pradesh Co-operative Societies Act which imposes a restriction on grant of loans to non-members but not on grant of any particular type of loan. Further, the

state government is authorised to generally or specially prohibit or restrict lending on the mortgage of immovable property by a co-operative society. It is clear, therefore, that the Act as such does not contain any restriction in respect of the period for which a loan may be granted by any society.

4.5 Chapter XV of the Uttar Pradesh Co-operative Societies Rules, 1968, which imposes restrictions on lending by co-operative societies, also does not contain any provision prohibiting any co-operative society from granting long-term loans. It is only in the bye-laws that such restrictions are generally imposed.

4.6 In view of the above, the Group does not feel any need for making amendments to the Co-operative Societies Act for the purpose of enabling credit societies to provide long-term loans. It would suffice if the bye-laws are suitably modified for the purpose.

Amendments may be necessary to the bye-laws of the Uttar Pradesh SLDB to enable it to give loans for purposes like dairy, poultry, sheep breeding, etc., which at present it is not empowered to do.

4.7 In this connexion, attention is invited to Section 11 of the Model Law in Annexure 4.

Orissa

In the event of integration there should be provision to transfer membership of the PLDB together with a portion of the assets and liabilities to the PACS and to transfer the remaining assets and liabilities and staff of the PLDB to the CCB.

4.8 The aforesaid arrangement, if finally approved, could be effected by a scheme of integration suggested by us *supra*, which would be statutory in nature and, therefore, should not give rise to any legal difficulty.

It may also be necessary to vest the existing mortgages of the PLDB and future mortgages collected by the PACS in the respective CCB and the SLDB.

4.9 Under the existing law the mortgages taken by the PLDB are already vested in the SLDB. As has been pointed out earlier (vide issue raised by the Uttar Pradesh Study Group) there is no need for

transferring and vesting these mortgages now held by the SLDB in favour of the DCCB. Those mortgages can continue to be held by the SLDB or vested in the new society and be enforced by the SLDB or the new society, as the case may be, either directly or through the agency of intermediate level integrated co-operative credit societies. So far as future mortgages are concerned, attention is invited to the observation contained in paragraph 3.22 *supra*.

It will be necessary to extend the provisions of the Co-operative Societies Act now applying to primary land development banks to the PACS in future.

4.10 Suitable provision has been suggested for this purpose in Section 10 of the Model Law.

Compulsory division and merger of the assets and liabilities of the PLDB without preliminary enquiry on the part of the Registrar. (At present compulsory amalgamation can be ordered only after a preliminary enquiry.)

4.11 In this connexion, attention is invited to the observations contained in paragraph 2.11 *supra* and Section 3 of the Model Law.

Loan sanction procedures and legal scrutiny should be simplified. The state government may have to effect far-reaching amendments in the Co-operative Societies Act and the Rules and also to draw Model bye-laws before proceeding to integrate the units. It is presumed that these issues will receive attention of the Working Group on Legal Matters.

4.12 The Group has already considered the aforesaid issues in the previous Chapter. Important amendments to be made in the existing bye-laws of short-term institutions have been suggested so as to facilitate integration of functions of the two wings. It does not appear necessary or appropriate to provide in the bye-laws for the procedure to be followed in connexion with the long-term loans. The procedure can be prescribed by policy circulars to be issued from time to time by the apex body.

Kerala

Amendments have to be made to the provisions of the Kerala Co-operative Societies Act so as to extend to the primary societies the provisions relating to the special procedures prescribed for recovery of dues to the land mortgage banks.

4.13. If a Model Law on the lines suggested by the Group is passed, there is no need to make any amendment in the existing provisions of the Kerala Co-operative Societies Act for this purpose. In this connexion, attention is invited to Section 10 of the Model Law suggested by the Group.

Rule 56 of the Kerala Co-operative Societies Rules requires amendment to enable grant of long-term loans for longer period.

4.14 Rule 56(1) of the Kerala Co-operative Societies Rules, 1969 reads as under :

“No financing bank or credit society, other than an agricultural credit society with unlimited liability, a land mortgage bank and a society the object of which is to grant long-term loans exclusively on the mortgage of immovable properties, shall grant loans for periods exceeding 3 years.”

The above rule does not impose any restriction on the period for which a long-term loan may be granted. The 3 years limitation imposed under the rule applies to societies other than agricultural credit societies with unlimited liability, land mortgage banks and societies the object of which is to grant long-term loans exclusively on mortgage of immovable properties.

However, the words “exclusively on mortgage of immovable properties” may have to be deleted from the rule, so as to cover integrated credit institutions, which will be granting long-term loans with or without security.

Model bye-laws should be formulated for integrated district and primary units.

4.15 The Group has taken note of this.

Haryana

The bye-laws of the PACS and the CCB do not prohibit them from granting long-term loans. Further, the model bye-laws of these societies which will be revised consequent on the re-organisation, would specifically provide for enabling them to grant long-term loan. There is also no restrictive provision in this regard in the Haryana or Punjab Co-operative Societies Act. It would, however, be necessary to suitably amend the “Punjab Co-operative Land Mortgage Bank Act”, the various

provisions of which are applicable to the primary land mortgage banks; these provisions should be made applicable to the central co-operative banks also. This could be done mostly by amending the definitions of Section 2 of the Act. Further, certain provisions of the Act, more particularly Sections 22, 26, 29, 30, 32, 33, 37 and 40, which are at present applicable only to the PLDB will have to be made applicable to the PACS.

4.16 Suitable provision has been made by the Group for such purposes in the Model Law.

Gujarat

In the existing set-up, individuals who seek long-term loans have to become members of the SLDB. In integration, these members will become members of primaries and their share capital, deposits and loans and other liabilities will have to be transferred to the PACS. This will attract the provision of Section 17 of the Gujarat Co-operative Societies Act, 1961.

4.17 Attention is invited to paragraph 2.3 of Chapter 2 of this report.

A draft scheme as contemplated in Rule 9 of the Gujarat Co-operative Societies Rules, 1965 will have to be drawn up and action taken under the Act and Rules.

4.18 Rule 9 relates to Section 17 of the Act which provides for voluntary amalgamation, division, etc. In view of what has been stated in paragraph 2.13 of Chapter 2 of this report, this question does not arise.

All members who have claims, creditors and other interested persons will be required to exercise their option of withdrawing their investments since SLDB obtains financial accommodation from the SCB, commercial banks and central co-operative banks, ARDC and RBI. The notice of resolution for transfer of assets and liabilities passed by the special general meeting will have to be issued to all the interested persons/institutions and their consent obtained.

4.19 The above issue is based on voluntary amalgamation, division, etc., provided for under Section 17 of the Gujarat Co-operative Societies Act. However, a scheme of integration, as envisaged in paragraph 2.13 above, will make the provisions of the scheme binding on creditors and

all other parties concerned. In this connexion provisions made in Section 4(1) of the Model Law may also be seen.

The changes in the ownership of assets and liabilities of the LDB will require the special approval of the Trustee.

4.20 This issue proceeds on the basis of a voluntary amalgamation. A scheme of integration as envisaged in paragraph 2.13 above will take care of this.

Primary societies will have to agree to take over long-term business. This would mean enlargement of their objects. The Registrar's power to direct amendment of bye-laws under Section 14(1) does not cover amendments to name or objects of a society. It may be necessary to amend the Act suitably to extend the power of the Registrar to direct amendment of bye-laws relating to primaries.

4.21 Section 14(1) of the Gujarat Co-operative Societies Act referred to in the issue relates to the power of the Registrar to direct an amendment of the bye-laws. However, when a society on its own amends its bye-laws, there is no prohibition in the Act to change its name or to enlarge its objects.

Chapter XI of the Act comprising Sections 116 to 145 applies to land development banks advancing loans, other than short-term loans. If primaries are to be entrusted with advancing loans for purposes which LDB is authorised to give, the Act will have to be amended so as to enable the short-term structure to advance long-term loans.

The provision of Chapter XI of the Act would have to be extended to the PACS, CCB and SCB, as they constitute together a federal structure.

4.22 Section 10 of the Model Law will take care of these points.

A mortgage executed in favour of an LDB shall have priority over any claim of government arising from a loan granted after execution of the mortgage under the Land Improvement Loans Act, 1883 or the Agriculturists Loans Act, 1884 or any other law for the time being in force (Section 122(1)). Extension of the provisions of this Section to the short-term structure may confer protection on primaries and the entire short-term structure which could be applied to recover short-term

loans. The protection would be essential to primaries for giving long-term loans but the question of circumscribing the power to prevent taking unintended or undue advantage requires special consideration.

4.23 Section 14 of the Model Law will cover this point. However, the circumscription as proposed does not appear necessary.

Section 22 of the Act provides for admission of a firm or company in a society subject to such terms and conditions as may be laid down by general or special order. Whether this provision can include institutions or public bodies is doubtful, although a firm, company or association or a society registered under the Societies Registration Act, 1860 can be admitted as members.

4.24 It is true that Section 22(1)(b) of the Gujarat Co-operative Societies Act refers to "a firm, company, association or a society registered under the Societies Registration Act, 1860" and does not refer to corporate bodies other than companies. But the definition of "company" in Section 2(6) covers "any board, corporation or other corporate body, constituted or established by any Central, State or Provincial Act." Therefore, such corporate bodies are covered by Section 22(1)(b).

Section 24 provides for open membership. Though any person can be refused admission the aggrieved person can appeal to the Registrar whose decision in the matter shall be final and it can be construed that the Registrar has authority by his decision to confer membership on any person desirous of being admitted as member.

4.25 While Section 24 of the Gujarat Act secures that no qualified person can be refused admission without sufficient cause, it still makes his membership dependent on a decision of the society to admit him as member. In our view, the provision that every applicant will automatically become a member and that his membership may be cancelled by the Registrar for good reason (please see paragraph 3.4 above) is preferable.

CHAPTER 5

CONSEQUENTIAL AMENDMENTS TO
OTHER ENACTMENTS*Banking Regulation Act, 1949*

5.1 The provisions of Section 22 of the Banking Regulation Act, 1949 (As applicable to Co-operative Societies) do not come in the way of the business of an SCB when it takes over the business of an SLDB, because the SCB is already carrying on banking business. On the other hand, where an SLDB takes over the business of an SCB it would appear that although by virtue of taking over the business of an SCB it would be actually carrying on business of banking, it may not require a licence under Section 22 of the Banking Regulation Act, since as a state land development bank it is already exempt from the provisions of the Banking Regulation Act vide Section 3(b) of the Act *ibid*. A doubt would, however, arise as to whether an SLDB, after taking over the business of an SCB, could continue to be regarded as a 'land mortgage bank' for the purposes of Section 3(b) of the said Act. The expression 'land mortgage bank' is not defined in the Act and as such will have to be given the same meaning as the concerned co-operative laws give to it. A reference to the provisions of co-operative laws makes it clear that the provisions in this regard are not uniform. For instance, in terms of Section 111 of the Maharashtra Co-operative Societies Act, 1960, only co-operative banks which give loans other than short-term loans are regarded as land development banks. But, in terms of Section 84 of the Andhra Pradesh Co-operative Societies Act, 1964, a land mortgage bank means a co-operative land mortgage bank registered or deemed to be registered under the Act and admitted as a member of the central mortgage bank; and a 'Central Mortgage Bank' means the Andhra Pradesh Co-operative Central Land Mortgage Bank. Hence, in the former case, it would appear that an LDB, when it takes over the business of an SCB, may cease to be regarded as an 'LDB' under the co-operative law and, therefore, may not continue to be regarded as a 'Land Mortgage Bank' for the purposes of Section 3(b) of the Banking Regulation Act *ibid*. As such, it would require licence to carry on banking business under Section 22 of the Act. In the latter case, it would appear that by merely taking over the functions of an SCB, the SLDB does not cease to be an LDB for the purposes of the Co-operative Societies Act. However, by reason of the definition of 'State Co-operative Bank' in Section 2(f) of the RBI Act (which applies

to Banking Regulation Act also) the SLDB may, for the purposes of these two Acts, be regarded as a State Co-operative Bank and, therefore, a co-operative bank requiring a licence under Section 22 of the Banking Regulation Act, 1949 (As applicable to Co-operative Societies)

5.2 In the case of a new integrated co-operative society formed to take over the business of both the SCB and the SLDB, a licence under Section 22 of the Act would be necessary, without which it cannot commence banking business.

5.3 In order to avoid any doubts, it is suggested that Section 22 of the Banking Regulation Act (As applicable to Co-operative Societies) may be amended enabling the concerned integrated institutions to commence or carry on the business of banking without a licence until the Reserve Bank grants a licence or advises that a licence cannot be granted. For this purpose it will be necessary to insert in the proviso to Sub-Section (2) of Section 22 of the Act a new clause (iv) as under :

“(iv) a co-operative society formed for the purpose of taking over the banking business of a co-operative bank and taking over such business, or a co-operative land mortgage bank taking over the business of a co-operative bank until it is, by a notice in writing, notified by the Reserve Bank that a licence cannot be granted to it.”

5.4 The bonds and debentures that may be issued by the apex integrated institutions would represent their liabilities in India, and, therefore, these institutions will have to take into account the said liabilities for the purpose of Sections 18 and 24 of the Act. In order to overcome this difficulty it is suggested that a new clause (cc) may be inserted in Explanation under Section 18, as under :

“(cc) in the case of a co-operative bank any moneys borrowed by issue of bonds or debentures with the approval of the Reserve Bank.”

Simultaneously, after the existing explanation under Section 18 a further explanation on the following lines may be added, viz.:

“Explanation II : For the purposes of this section and Section 24, the moneys in a sinking fund for repayment of bonds, or the moneys in a debenture redemption fund or any investment of such moneys shall not be regarded as cash or securities, as the case may be.”

5.5 However, as these amendments have to be made by the Parliament and it is likely to take time, periodical exemptions will have to be

obtained under Section 53 until the amendments suggested above are made.

Deposit Insurance Corporation Act, 1961

5.6 Under Section 13A(2)(b)(i) of the Deposit Insurance Corporation Act, 1961, the Deposit Insurance Corporation (DIC) has to register every new co-operative bank as an insured bank, as soon as may be, after it is granted a licence under Section 22 of the Banking Regulation Act. Section 2(kk) of the Act defines 'a new co-operative bank' as a co-operative bank which begins to transact business of banking under a licence granted to it under Section 22 of the Banking Regulation Act. Therefore, an institution carrying on banking business without a licence, in pursuance of an exemption under Section 53 of the Banking Regulation Act cannot be registered as an insured bank. It is, therefore, necessary to include in Section 13A(2)(b) a new clause (iii) reading as under :

“(iii) a co-operative bank formed for the purpose of taking over the banking business of another co-operative bank and taking over such business or a co-operative land mortgage bank taking over the business of a co-operative bank, within three months of its having made an application for registration under the said Section.”

5.7 As there is no question of granting an exemption in this matter, the above amendment may have to be made immediately and for this purpose an ordinance may have to be issued by the Government of India.

Reserve Bank of India Act

5.8 An integrated institution at the state level, being primarily a banking company, will have to be included in the Second Schedule to the RBI Act, if it satisfies the requirements of Section 42(6) of the RBI Act. On such inclusion in the Second Schedule, it would be required under Section 42(1) *ibid*, to maintain with the Reserve Bank an average daily balance, the amount of which shall not be less than 3 per cent of the total of the demand and time liabilities in India. In the absence of a specific exemption, the sums borrowed by an integrated institution, by issue of debentures or bonds would be regarded as its liabilities in India and, therefore, will have to maintain cash reserves as specified in Section 42(1) *ibid*. As this may result in such institution having to maintain large cash reserves with the Bank it is necessary to exempt

such sums from being regarded as 'liabilities in India'. For this purpose, it is suggested that a new clause (iv) be inserted under Explanation (c) to Section 42(1) of the RBI Act, on the following lines :

“(iv) in the case of a co-operative bank any moneys borrowed by issue of bonds or debentures.”

5.9 However, as the amendment suggested above has to be made by the Parliament and it is likely to take time, periodical exemptions will have to be granted by the Reserve Bank of India under Section 42(7) of the Reserve Bank of India Act, 1934, until the said amendment is made by the Parliament.

R. M. Halasyam

Y. S. Borgaonkar

Jayakumar Anagol

S. G. V. Ramanan

M. V. Gupta

Bombay

13 July 1976

ANNEXURE I

GUIDELINES AND COMPOSITION OF THE WORKING GROUP ON LEGAL MATTERS

Guidelines

The primary objective in constituting the Working Group is (i) to examine to what extent the legal framework obtaining to-day concerning the co-operative credit movement stood in the way of providing short, medium and long-term credit to farmers in an integrated manner at one contact point and (ii) to suggest ways and means of removing the legal impediments, if any. For this purpose, the Working Group may, *inter alia*, examine the following:

- (1) The Group may examine whether there are any restrictions in the Co-operative Societies Act, the rules framed thereunder and any other relevant laws, bye-laws and business rules of the co-operative credit institutions which would prohibit the primary agricultural credit societies from undertaking long-term credit functions. If so, they may suggest modifications/amendments necessary in the relevant Acts, bye-laws, rules, etc.
- (2) The Group may also examine whether there are similar or any other legal restrictions in the intermediate level and apex level co-operative credit institutions of the short-term structure, i.e., the district central co-operative banks and the state co-operative banks undertaking the long-term credit functions. As in the case of primary agricultural societies, the Group may also suggest suitable modifications/amendments necessary in the relevant Acts, bye-laws, etc.
- (3) The Group may study the legal implications of the merger of *business* of the two wings of the structure, i.e., the short-term credit wing and the long-term credit wing. This has to be examined in two different situations: (i) when integration takes place at all levels, i.e., primary, intermediate and apex levels, and (ii) when integration takes place only at the primary and intermediate levels leaving the apex level to remain intact. In this context the Group may examine the effect of transfer of business from one institution to another, for example, from the primary land development banks or branches of state land development banks to the district central co-operative banks or transfer of assets and liabilities of these two institutions to a newly formed intermediate level institution. Specifically, how best such a transfer should take place without affecting the present rights and privileges of the debenture-holders and other creditors of these institutions has to be examined. Further, the legal implications of the transfer of loans of the PLDB to either the PACS or the CCB have to be examined. Also, in what manner loans already granted by the long-term wing of the credit structure should be assigned in favour of an existing institution or a new institution has to be studied. The legal implications of the long-term business on the working of the PACS may be examined specifically with reference to their fresh lending.
- (4) After studying the existing legal framework which governs the functioning of the credit institutions in the two credit structures, the Group may prepare model bye-laws, rules, Acts, etc., for adoption by the state governments/integrated units, with a view to facilitating their integration at the apex, intermediate and primary levels.
- (5) The Group may review the present legal framework regarding the working of the LDB with reference to their method of raising resources and their lending procedures and suggest suitable changes with a view (i) to streamlining the lending procedures and to facilitating quick flow of credit to farmers and easy recovery thereof and (ii) to enabling the integrated units to raise resources quickly and without difficulty.

- (6) The Committee has constituted eight Study Groups for conducting studies at the intermediate and primary levels of co-operative credit institutions in the States of Gujarat, Haryana, Jammu and Kashmir, Kerala, Maharashtra, Manipur, Orissa and Uttar Pradesh. These Groups have been asked to suggest specific legal problems arising out of integration for examination by the Working Group. These suggestions may also be examined by the Working Group as and when the problems are referred to it.

The Working Group may submit its findings and recommendations latest by 31 July 1976.

The Working Group consisted of the following members:

1.	Shri R. M. Halasyam Retired Legal Adviser Reserve Bank of India Bombay	Chairman
2.	Shri Jayakumar Anagol Registrar of Co-operative Societies Government of Karnataka Bangalore	Member
3.	Shri S. N. De ¹ Senior Director Agricultural Refinance and Development Corporation Bombay	—do—
4.	Shri Y. S. Borgaonkar Joint Chief Officer Agricultural Credit Department Reserve Bank of India Bombay	—do—
5.	Shri S. G. V. Ramanan Member-Secretary of the Committee	—do—
6.	Shri M. V. Gupta Assistant Legal Adviser Legal Department Reserve Bank of India Bombay	—do—

¹Shri S. N. De served on the Group upto 12 March 1976.

ANNEXURE 2

PROVISIONS OF SECTION 78 OF THE WEST BENGAL CO-OPERATIVE SOCIETIES ACT, 1973

(Please see paragraph 2.13 of the Report)

78. (1) Notwithstanding anything contained in Section 75, Section 76 and Section 77, if the State Government is of opinion that—

- (a) in the public interest,
- (b) in the interest of the depositors,
- (c) in order to secure proper management of any central co-operative bank,
- (d) in the interest of the co-operative movement in the State as a whole,
- (e) in the interest of the co-operative banking system in the State as a whole, or
- (f) to make co-operative credit adequately available to the primary co-operative credit societies of any particular area or areas in the State from the State Co-operative Bank,

it is necessary so to do, the State Government may, by an order published in the Official Gazette stating reasons therefor, make a scheme for the amalgamation of any central co-operative bank (in this section hereafter referred to as the "transferor bank") with any other central co-operative bank or the State co-operative bank (in this section hereafter referred to as the "transferee bank").

(2) A scheme referred to in sub-section (1) may provide for all or any of the following matters, namely:—

- (a) the transfer of the business, properties, movable and immovable, assets including cash balances and reserve funds, rights, privileges, liabilities, debts and obligations of the transferor bank to the transferee bank, on such terms and conditions as may be specified in the said scheme,
- (b) the reduction of the interest or rights which the members, depositors and other creditors have in or against the transferor bank before its amalgamation, to such extent as the State Government considers necessary in the public interest or in the interest of the members, depositors and other creditors of the transferor bank or for the maintenance of the business of such bank, having due regard to the proportion of the assets of the transferor bank to its liabilities,
- (c) the payment in cash or otherwise to the depositors and other creditors in full satisfaction of their claims—
 - (i) in respect of their interest or rights in or against the transferor bank before or after its amalgamation, or
 - (ii) where the interest or rights as aforesaid, in or against the transferor bank, has or have been reduced under clause (b), in respect of such interest or rights as so reduced,
- (d) (i) the allotment of shares in the transferee bank to the members of the transferor bank against the shares held by them in the transferor bank before the amalgamation (whether their interest in such shares has, been reduced under clause (b) or not), or

- (ii) where the members of the transferor bank elect to receive payment in cash and not in shares of the transferee bank, or where it is not possible to allot shares in the transferee bank to such members against the shares held by them in the transferor bank, the payment to such members in cash in full satisfaction of their claims in respect of their interest in the shares of the transferor bank or where such interest has been reduced under clause (b), in respect of their interest in the shares as so reduced:

Provided that an aforesaid scheme shall secure—

- (i) that allotment of shares or payment in cash in favour of the members of the transferor bank under clause (d) shall not be made until all the depositors and creditors of the transferor bank have been paid under sub-clause (i), or as the case may be, under sub-clause (ii), of clause (c), and
- (ii) that such allotment of share or payment in cash in favour of the members of the transferor bank shall be made only out of the surplus of the assets of the transferor bank, if any, that may be left after payment of the depositors and creditors as indicated in clause (i) above,
- (e) the continuance of the services of the employees of the transferor bank in the transferee bank on terms and conditions of service not being less advantageous than what they were entitled to immediately before the amalgamation:

Provided that the transferee bank may not, by an order in writing, allow any employee of the transferor bank to continue in the services of the bank if, in the opinion of the transferee bank, the continuance of such employee in its service would be detrimental to its interest, and thereupon the services of such employee shall stand terminated on and from the date of such order, and the transferee bank shall, within three months of the date of the aforesaid order, make payment to such employee such compensation as such employee may be entitled under any law relating to the industrial disputes in force in the State and such pension, gratuity, provident fund and other retirement benefits as are ordinarily admissible to him under the rules of the transferor bank in force immediately before the amalgamation.

(3) (a) No order referred to in sub-section (1) shall be made unless a copy of the proposed order including the scheme is sent to the transferor bank and the transferee bank calling upon such banks to invite objections or suggestions from the members, creditors and depositors thereof and to submit such objections and suggestions together with their own suggestions and objections, if any, to the State Government within six weeks from the date of receipt of the copy of the proposed order by such banks.

(b) The State Government shall consider the suggestions and objections which may be received under sub-section (3) (a) within the period referred to therein, make such modifications in the proposed order including the scheme as it thinks just and fit and finalise the proposed order including the scheme in consultation with the Reserve Bank.

(4) An order referred to in sub-section (1) may contain such incidental, consequential and supplemental provisions as the State Government may consider necessary to give effect to the proposed amalgamation and shall have effect on and from such date as may be specified in the order.

(5) On the coming into operation of any scheme referred to in sub-section (1), the provisions thereof shall be binding on the transferor bank, the transferee bank and all the members, depositors, creditors and employees of both such banks and on any other person having any right or liability in relation to the said banks.

(6) The provisions of this section shall have effect, notwithstanding anything to the contrary contained elsewhere in this Act or in any other law or any agreement, award or other instrument for the time being in force.

4 of 1882.
6 of 1908.

(7) Notwithstanding anything contained in the Transfer of Property Act, 1882, or the Registration Act, 1908, an order making a scheme referred to in sub-section (1) shall be sufficient conveyance, in accordance with the provisions of this section, to transfer the assets and liabilities of the transferor bank to the transferee bank.

(8) When under a scheme referred to in sub-section (1) the assets and liabilities of the transferor bank have been transferred to the transferee Bank, the transferor bank shall cease to exist and shall be deemed to have been dissolved.

(9) Notwithstanding anything contained in any other law for the time being in force, an order under sub-section (1) shall not be called in question in any court of law.

ANNEXURE 3(A)
(Form of Debenture)

The _____ Limited _____, a Limited Company incorporated under the Indian Companies Act, 1913
 Authorised Capital _____ Rs. _____
 Divided into _____ ordinary shares of Rs. _____ each;
 Issue of a series _____ First Mortgage Bearer Debentures of Rs. _____
 (Rupees _____) only each carrying interest at _____ per cent per annum payable half-yearly on the _____ of _____ and _____ of _____ in each year, all ranking pari passu and numbered 1 to _____ both inclusive, made under the authority of clause _____ of Articles of Association of the Company and in pursuance of a resolution of the Board of Directors dated _____

DEBENTURE

No. _____ Rs. _____

1. The _____ Ltd., (hereinafter called the Company) in consideration of the sum of Rs. _____ will, on the _____ or on such earlier day as the principal moneys hereby secured become payable in accordance with the conditions endorsed hereon, pay the sum of Rs. _____ to the bearer of this debenture on its presentation.

2. The Company will, in the meantime, pay such bearer interest on the said principal sum of Rs. _____ at the rate of _____ per cent per annum by equal half-yearly payment on every _____ day of _____ and _____ day of _____ in accordance with the coupons annexed hereto, the first of such half-yearly payments to be made on the _____ day of _____ 19 _____ next.

3. The Company hereby charges with such payments the mortgaged premises described in Second Schedule to the Trust Deed made between the Company of the One part and Mr. _____ and Mr. _____ of _____ the Trustees of the Other Part, on the _____ day of _____ 19 _____, in terms of which this Indenture is issued.

4. This debenture is issued subject to and with the benefit of the conditions endorsed hereon which are to be deemed a part of it.

Given under the Common Seal of the Company this _____ day of _____ 19 _____

The Common Seal of the Company was hereto affixed in the presence of the following Directors:—

1.

2.

ANNEXURE 3(A)—(*Contd.*)

Terms and conditions above referred to:

MEMORANDA OF TRANSFERS

Transferred to	By	Consideration	Registered No.	Date of Registry	Signature of the Secretary

ANNEXURE 3(B)

(Form of Bond)

EMBLEM
OF
CORPORATION_____
CORPORATION

Rs. _____

_____ % BONDS 19 _____

_____ SERIES

(Incorporated under The _____ Act, 19 _____)

No.

ISSUED IN PURSUANCE OF SECTION _____ OF THE _____
 _____ ACT, 19 _____ AND GUARANTEED BY THE
 CENTRAL GOVERNMENT AS TO THE REPAYMENT OF PRINCIPAL
 AND THE PAYMENT OF INTEREST IN TERMS OF THAT SECTION

THE _____ CORPORATION
 in consideration of value received does hereby promise to pay TO _____

_____ or order on demand at the Head Office of the _____

_____ the Corporation, _____ on the _____

(Name of place)

_____ day of _____ 19 _____ the sum of _____

_____ RUPEES _____ only _____

(In words)

and to pay interest on such sum from _____ day of _____ 19 _____

to the date on which the same shall become payable as aforesaid, at the rate of _____

_____ per cent per annum, such interest to be paid by equal half-yearly

(In words)

payments on the _____ day of _____ and the _____

day of _____ in every year, the first of such payments to be made

on the _____ day of _____ 19 _____ .

No interest will accrue on this bond from and after the _____ day

of _____ 19 _____ .

This bond is transferable by endorsement and delivery.

Dated at _____ this _____ day of _____ 19 _____

No. _____

Director

Chairman

All endorsements upon this bond must be clear and distinct.

Vernacular endorsements must be literally transliterated into English immediately below the endorsement.

Receipts for interest are not required on this bond.

Cross endorsements are strictly inadmissible.

PRINCIPAL AMOUNT RS. _____ ENDORSEMENTS

Interest Payment at Rs. _____ Per half-year @ _____ Per cent

(Here provide for the interest cages)

Received, in lieu hereof a renewed
Bond payable to (Holder's Name)

With interest payable

at _____

—Corporation's Office

at _____

(Holder's signature)

ANNEXURE 4

MODEL LAW*

 FORMATION OF INTEGRATED
 CO-OPERATIVE CREDIT SOCIETIES ACT, 19 . . .

 AN ACT TO PROVIDE FOR FORMATION OF
 INTEGRATED CO-OPERATIVE CREDIT INSTITUTIONS

WHEREAS for the purpose of the advancement of the co-operative movement, the development of agriculture and other agricultural activities in the State, it is expedient to provide for the formation of integrated co-operative credit institutions in the State by integrating the existing short-term and long-term co-operative credit institutions, with a view to provide short, medium and long-term credit to the agriculturists at one contact point:

BE it enacted in the year of the Republic of India as follows:

CHAPTER I

1. (1) This Act may be called the Formation of Integrated Co-operative
 Short title, extent
 and commence- Credit Societies Act, 19 . . .
 ment

(2) It shall extend to the whole of the State of

(3) It shall come into force on such date as may be notified by the state government in the Official Gazette.

2. In this Act, unless the context otherwise requires:—

Definitions

- (a) "agriculture" or "agricultural purposes" or "development of agriculture" includes making land fit for cultivation, cultivation of land, improvement of land including development of sources of irrigation, raising and harvesting of crops, horticulture, forestry, planting and farming and cattle breeding, animal husbandry, dairy farming, seed farming, pisciculture including catching fish and all activities connected therewith or incidental thereto, apiculture, sericulture, piggery, poultry farming and such other activities as are generally carried on by agriculturists, dairy farmers, cattle breeders, poultry farmers and other categories of persons engaged in similar activities, including processing and marketing of agricultural produce, storage and transport and the acquisition of draught animals, implements and machinery in connection with such activities and also includes the

* The provisions in this Annexure may be made into a separate Act or incorporated as a separate chapter, in the existing Co-operative Societies Act or be incorporated at the appropriate places in that Act with such consequential changes as may be necessary.

purposes enumerated in section . . . * of the Co-operative Societies Act and such other purposes as the State Government may specify in this behalf.

- (b) "Co-operative Societies Act" means Co-operative Societies Act, 19 or the Land Development Banks Act
- (c) "Financial Assistance" means assistance granted by way of loans, advances, guarantee or otherwise for any agricultural or non-agricultural purpose or for purchase of shares in any co-operative society.
- (d) "Integrated Co-operative Credit Society" shall mean a co-operative credit society the primary object or principal business of which is granting of short, medium and long-term loans and advances for agricultural or non-agricultural purposes in the state.
- (e) "Non-agricultural purpose" means any purpose other than agricultural purposes and includes, in particular, trade, commerce, industry and services.
- (f) All other terms and expressions occurring in this Act but not defined herein shall have the same meanings as are assigned to them respectively in the Co-operative Societies Act.

CHAPTER II

CONSTITUTION AND MANAGEMENT OF INTEGRATED CO-OPERATIVE CREDIT SOCIETIES

3. (1) Notwithstanding anything contained in the Co-operative Societies Act or in any other law for the time being in force, if the State Government is of the opinion that it is necessary in the public interest or in the interest of the co-operative movement in the state and for development of agriculture in general in the state, to integrate any two or more co-operative credit societies in the state or to divide any co-operative credit society, so functioning, within the state into one or more such co-operative institutions, it may, by an order published in the Official Gazette, make a scheme for integration or division of such societies.

**Formation of the
Integrated Co-
operative Credit
Institutions**

Explanation:—For the purpose of this section, a co-operative credit society shall mean a co-operative society providing or formed for the purpose of providing credit for agricultural or non-agricultural purposes in the State.

- (2) The scheme of integration or division referred to in sub-section (1) may provide, *inter alia*, for all or any of the following matters, namely—

- (a) the formation of a new co-operative credit society with a view to making it a transferee society as hereinafter referred to,
- (b) the transfer of the business, properties, movable or immovable assets including cash balances and reserve funds, rights, privileges, liabilities, debts and obligations of the co-operative credit society (hereinafter referred to as a "Transferor Society") to other co-operative credit society or societies, (hereinafter referred to as "Transferee Society"),
- (c) the allotment of shares in the Transferee Society to the members of the Transferor Society,
- (d) the continuance of the services of the employees of the Transferor Society in the Transferee Society on terms and conditions of service not being less

* Mention the Section relating to the LDB in the existing Co-operative Law.

advantageous than they were entitled to immediately before the integration or division and for subsequent variation thereof with the approval of the Government.

(3) An order made under sub-section (1) may authorise the Registrar to provide for such matters of detail as the State Government may consider necessary to be determined by him.

(4) No order referred to in sub-section (1) shall be made without the prior approval of the Reserve Bank of India.

(5) An order referred to in sub-section (1) may contain such other incidental, consequential and supplemental provisions as the State Government may consider necessary to give effect to the proposed integration or division.

4. (1) On the coming into operation of the scheme referred to in sub-section (1) of Section 3, the provisions thereof shall constitute sufficient notice to all parties concerned and shall be binding on the Transferor Society and the Transferee Society and all members, depositors, creditors, employees and all other persons having dealings with such societies.

(2) Notwithstanding anything contained in the Transfer of Property Act, 1882, or the Registration Act, 1908 an order making a scheme referred to in sub-section (1) of Section 3 shall be sufficient conveyance in accordance with the provisions of the scheme of the assets and liabilities of the Transferor Society to the Transferee Society.

(3) On the coming into operation of the scheme referred to in sub-section (1) of Section 3 any reference to the Transferor Society in an agreement, conveyance, assurance or any other document shall be deemed to be a reference to the Transferee Society and the rights and obligations of the Transferor Society shall be deemed to be the rights and obligations of the Transferee Society to the extent specified in the said scheme.

5. On the coming into operation of the scheme in the Official Gazette, the Transferor Society shall cease to carry on the business except to the extent as may be necessary for implementation of the said scheme.

6. When the Registrar is satisfied that the provisions of the scheme have been implemented in full, he may, by order, direct cancellation of the registration of the Transferor Society from such date as he may specify in the said order.

7. Notwithstanding anything contained in any other law for the time being in force, an order under sub-section (1) of Section 3 and the scheme framed thereunder shall not be called in question in any court of law or any tribunal or authority.

8. (1) Notwithstanding anything contained in the Co-operative Societies Act, it shall be competent to an integrated co-operative credit society which is a federal society, to admit a firm, a company or any other body corporate, constituted under any law for the time being in force, or a society registered under the Societies Registration Act, 1860 subject to such terms and conditions as may be laid down by the State Government by general or special order in that behalf.

(2) Subject to the provisions of Section * of the Co-operative Societies Act, every person, including a person belonging to the weaker sections, who applies for membership to an integrated co-operative credit society shall be deemed to have been admitted to such membership with effect from the date of the receipt of his application in the office of such society, provided that the Registrar, on his own motion or on an application made by the society concerned or by a member of the society, may, notwithstanding anything to the contrary contained herein or in the Co-operative Societies Act, order the removal of the person admitted to such membership, if he is satisfied, after giving to such person and the society an opportunity of being heard in regard to the proposed removal and for reasons to be recorded by the Registrar that such person is not eligible either to become or to continue to be a member of such society. Every such order, in the case of application made by the society or by any member shall be passed within 30 days of the receipt of the application by him.

9. (1) Notwithstanding anything contained in the Co-operative Societies Act, or the Rules framed thereunder or the bye-laws of any integrated co-operative credit society, it shall be competent to the State Government in respect of the state integrated co-operative credit societies and the Registrar in respect of the district integrated co-operative credit societies to nominate not more than persons with special knowledge of or experience in minor irrigation, animal husbandry, dairy farming, pisciculture, apiculture, sericulture and such other agricultural or non-agricultural activities including banking as the State Government or the Registrar may consider useful for the business of the integrated co-operative credit society, as members of the Board of Directors or the Managing Committee of the integrated co-operative credit society.

(2) A person nominated as a member of the Board or the Committee shall hold office as such member during the pleasure of the nominating authority and shall be eligible for renomination on the expiry of that period.

(3) The members so nominated shall have the same right to vote as an elected member of the Board or the Committee.

(4) Notwithstanding anything contained in this Act, or the Rules framed thereunder or the bye-laws of the integrated co-operative credit society, no nominated member of the Board or the Managing Committee shall be liable for anything done or omitted to be done by him in good faith in his capacity as such member of the Board or the Committee as the case may be.

CHAPTER III

BUSINESS OF THE INTEGRATED CO-OPERATIVE CREDIT SOCIETIES

10. For purposes of chapter † Land Development Banks Act, 19, integrated co-operative credit societies shall be deemed to be land development banks and the provisions of the said chapter † / the said Act, so far as not inconsistent with the provisions of this Act, shall *mutatis mutandis* apply to the integrated co-operative credit societies and any reference in the said Chapter / the said Act to the land development bank shall be deemed to be a reference to the integrated co-operative credit society.

* Here mention the section relating to persons who are eligible to become members of co-operative societies.

† Delete whichever not applicable. The chapter to be indicated should be that relating to LDB.

11. (1) The integrated co-operative credit societies may provide such financial assistance to their members as they may consider necessary.
Business to be transacted by the integrated units

(2) No financial assistance shall be granted under sub-section (1) to any member unless such member furnishes security to the satisfaction of the Board or the Managing Committee of the integrated co-operative credit society.

Provided that the Board or the Managing Committee may, for reasons to be recorded in writing in that behalf, waive such security in any particular case or class of cases.

12. (1) Notwithstanding what is contained in the Co-operative Societies Act with the previous sanction of the State Government and subject to the bye-laws, an integrated co-operative credit society may borrow money by issue of bonds.
Issue of bonds

Provided that the issue of bonds shall be in conformity with such directions or instructions as may be issued by the Reserve Bank of India from time to time.

(2) The bonds shall be in the form of a promissory note and shall be repayable on the expiry of such period from the date of issue thereof as may be stipulated by the Reserve Bank of India.

Provided that the Board of Directors or the Managing Committee, as the case may be, may repay the amount due under the bonds at any time before the date so fixed after issuing a notice in writing in that behalf to the holders of the bonds.

13. (1) Notwithstanding anything contained in the Co-operative Societies Act or in any other law for the time being in force, but subject to any claim of the government in respect of land revenue, or the amounts recoverable as land revenue, whether prior in time or subsequent, any member owning any land or having interest in any land as a tenant or occupier or owning any other immovable property, who applies to an integrated co-operative credit society for a loan, shall, except where security has been waived in pursuance of the proviso to sub-section (2) of Section 11, make a declaration in the form prescribed therefor creating a charge in favour of the integrated co-operative credit society, on the lands or other immovable property or interest therein specified in the declaration, for the repayment of the loan granted or to be granted to him by the integrated co-operative credit society in pursuance of the application and for all future advances, if any, required by him which the integrated co-operative credit society may grant to him subject to such maximum as may be determined by the society together with interest on such amount of the loans and advances and expressly reserving in favour of the society a right of sale without intervention of court, in case of default.
Charge on immovable property of a member for the amounts borrowed

(2) Such declaration may be varied or cancelled at any time by the member with the prior approval of the integrated co-operative credit society.

(3) No land or other immovable property in respect of which a declaration under sub-section (1) has been made or any part thereof or any interest in such land or immovable property shall, without the consent of the integrated co-operative credit society, be sold or otherwise transferred until the entire amount of the loan or advance taken by the member from the integrated co-operative credit society together with interest thereon is paid to the said society; any transaction made in contravention of this sub-section shall be void.

(4) The declaration made under sub-section (1) or any variation or cancellation thereof under sub-section (2) shall be sent by registered post by the integrated co-operative credit society to the Sub-Registrar having jurisdiction over the area in which the land or the other immovable property is situated, who shall, if it is in order, register such declaration or variation or cancellation and return it to the society; and where it is not in order he shall return it to the society without registering it.

(5) Where the declaration is registered under the preceding sub-section it shall take effect from the date of its execution and where it is not registered, it shall be of no effect.

(6) A registered declaration of charge as above shall be deemed to create an interest in the property to which the declaration relates and shall constitute notice to any one dealing with the said property.

14. Any priority conferred by the Co-operative Societies Act on a mortgage in respect of any kind of loan granted by a land development bank shall be available also to a charge created under sub-section (1) of Section 13 in respect of the same kind of loans.

Priority of the mortgage: Alternative 'A'

Notwithstanding anything contained in the Co-operative Societies Act or in any other law for the time being in force, a mortgage or charge in favour of an integrated co-operative credit society shall be a first charge subject only to charges or mortgages created earlier in point of time in favour of any Government or any co-operative bank or a commercial bank. Further, the said charge or mortgage shall, notwithstanding anything contained in any other law for the time being in force, have priority against the claims of any Government arising out of loans granted by it after execution of such charge under the Land Improvement Loans Act, 1883 or the Agriculturists' Loans Act, 1884.

Alternative 'B'

Note: Alternative B may be retained in place of alternative A in case it is decided to confer the same priorities to a charge and mortgage in favour of an integrated society.

15. Mortgages and charges executed or deemed to have been executed in favour of and all other assets transferred or deemed to have been transferred to a primary integrated co-operative credit society shall, with effect from such execution or transfer or with effect from the date of such deeming, as the case may be, be deemed to have been transferred by such primary integrated co-operative credit society to the integrated central co-operative credit society.

Transfer and vesting of charge in the integrated co-operative credit societies at intermediate and state levels

Provided that on a demand made by the integrated state co-operative credit society that all such mortgages and charges be transferred to such society, the same shall be deemed to have been so transferred to and vested in that society.

16. Where an integrated co-operative credit society has granted a loan for improvement of any immovable property for agricultural purposes to a person appearing to the society to have title to the said property or to be in lawful possession thereof, and the money has been either in whole or in part utilised for such improvement, any person taking such property on grounds of superior title or otherwise shall be liable to repay to the society so much of the loan as has been utilised for the improvement of the property.

Moneys borrowed for development of land

17. Where an integrated co-operative credit society has made a loan or advance to a member belonging to a scheduled caste or tribe or to other persons having restricted rights of alienation over immovable property, against charge or mortgage of such property, such society shall, in the event of default by the member, be entitled to take possession of such property and to lease the same to any person belonging to the same caste or tribe as the member and appropriate the net receipts from the lease in repayment of the moneys due to it; and the member shall not be entitled to recover possession of such property until the amount due to the society has been repaid in full.

**Loans to persons
having restrictive
rights of transfer**

18. (1) Notwithstanding anything contained in the Co-operative Societies Act or the Transfer of Property Act, 1882 or in any other law for the time being in force, where a charge has been created on immovable property in accordance with the provisions of sub-section (1) of Section 13 in favour of an integrated co-operative credit society expressly conferring on the society the power of sale of the property without intervention of the Court, the Board or the Committee of such society or any person authorised by such Board or Committee shall, in case of default in payment of sums due to the society, have power, in addition to any other remedy available to the society, to bring the property specified in such charge to sale without intervention of the Court.

**Power of sale of
land charged,
without interven-
tion of court**

(2) No such power shall be exercised unless and until—

- (a) The Board has previously authorised such sale in the exercise of the power conferred on it by sub-section (1), after considering the representation if any, of the person creating the charge;
- (b) Registered notice requiring payment of sums due to the society or any part thereof, has been served upon
 - (i) the person creating charge;
 - (ii) any person who has any interest in or charge upon the property charged or any other right to redeem the same;
 - (iii) any surety for the payment of the sums due to the society or any part thereof;
 - (iv) any creditor of the person creating charge who has in a suit for the administration of his estate, obtained a decree for sale of the charged property; and
- (c) default has been made in payment of such sums due to the society for 3 months after such service.

(3) While exercising the power of sale under sub-section (1), an integrated co-operative credit society shall have the same powers and privileges as a land development bank has under the Co-operative Societies Act and shall follow the procedure specified in the Co-operative Societies Act and the Rules framed thereunder for bringing the property to sale, handing over possession of the property to purchaser on sale and appropriation of sums realised on such sale and other incidental matters connected therewith.

**STATEWISE ANALYSIS OF
CO-OPERATIVE CREDIT INSTITUTIONS**

ANDHRA PRADESH

General Features

The present State of Andhra Pradesh was formed on 1 November 1956; it consists of 11 districts of former Andhra State and 9 Telugu speaking districts of former Hyderabad State. It has an area of about 2.77 lakh sq. km. and a population of 435 lakhs. It is the fifth largest state in the country. The density of population is 157 per sq.km. for the state as a whole, (as against 182 for India) with wide variation as between the 21 districts, ranging between 362 for Hyderabad and 80 for Adilabad district. The 21 districts of the state have been divided into 195 talukas and 29,428 villages. Geographically, the state may be divided into three regions, viz., the fertile coastal region, the dry Rayalaseema area and the Telangana plateau with rugged and undulating topography.

Agricultural Situation

2. More than 80 per cent of the state population was rural and 69.6 per cent of the working population was engaged in the agricultural sector. As on 31 October 1973 out of a total geographical area of 27,676 thousand hectares, the net sown area was of the order of 11,735 thousand hectares with 1612 thousand hectares sown more than once. The net and gross irrigated areas were 3313 thousand hectares and 4223 thousand hectares, respectively. Foodgrains covered about 7754 thousand hectares, major crops being paddy (2577 thousand hectares) and jowar (2527 thousand hectares). Oil seeds, sugarcane and tobacco were the main cash crops.

3. About 46 per cent of the total number of holdings was of below 1 hectare in size accounting for 8 per cent of total area. The size of holdings between 1 and 2 hectares accounted for a total of 19.6 per cent of total area of holdings as may be seen from Table 1.

Irrigation Facilities and Groundwater Potential

4. Besides Godavari and Krishna, which are the two major rivers, there are 38 other minor and medium river basins in the state. However, waters of most rivers are used by more than one state and it is estimated that out of about 1,85,062 million cubic metres of water flowing through these rivers every year, about 1,23,000 million cubic metres were

TABLE 1

Size of holdings (in hectares)			No. of holdings (in lakhs)	Percentage to total number of holdings	Area of holdings (in lakh hectares)	Percentage to total area of holdings
Below 1	..	..	24.91	46.0	10.85	8.0
1 — 2	..	..	10.65	19.6	15.33	11.3
2 — 4	..	..	9.42	17.4	26.08	19.2
Above 4	..	..	9.22	17.0	83.60	61.5

Source: All-India Report on Agricultural Census, 1970-71.

available for the state of Andhra Pradesh. But only about 32,088 million cubic metres were put to use in the state and more than 91,000 million cubic metres of surplus water remained untapped. The present sources of irrigation are canals (15.79 lakh hectares), tanks (11.12 lakh hectares), wells (5.09 lakh hectares) and others (1.13 lakh hectares).

5. According to tentative estimates made by the State Groundwater Directorate, the total usable groundwater potential in the state has been placed at 10.30 million acre feet. Taking into account existing draft of 3.94 million acre feet and also 50 per cent of the balance as the safe yield, groundwater surplus available for further exploitation would be of the order of 3.23 million acre feet. The available groundwater resources would be able to support a programme of about 2.37 lakh energized wells which are likely to irrigate 4.84 lakh hectares.

Co-operative Credit Structure

6. As in most other states, the co-operative structure in the state has two wings, a three-tier one for short and medium-term credit and a two-tier one for long-term credit. The former consists of the state co-operative bank, 25 central co-operative banks and 14,877 primary agricultural credit societies (as at the end of 1973-4). In the long-term wing there are one SLDB and 190 primary land development banks functioning in the state. The financial particulars of the co-operative credit agencies as on 30 June 1975 are given in Statement 1.

State Co-operative Bank

7. The Andhra Pradesh State Co-operative Bank Ltd., Hyderabad functions as the apex co-operative bank of the state and as on 30 June

1974, its membership consisted of 25 central co-operative banks, 57 individuals and the state government. Apart from the head office, it had only 3 offices which were deposit centres situated in the capital city. There were no regional or divisional offices to supervise the functioning of the central co-operative banks in the districts.

8. As on 30 June 1975, the bank's business resources amounted to Rs 5621.26 lakhs made up of Rs 686.66 lakhs under owned funds (12.2 per cent), Rs 2716.43 lakhs under deposits (48.3 per cent) and Rs 2218.17 lakhs under other borrowings (39.5 per cent). The advances of the bank for agricultural and allied purposes (such as procurement of foodgrains, fertilizer distribution, etc.) aggregated Rs 4539.82 lakhs. These included advances for other purposes such as financing of sugar mills, spinning mills, marketing federation, consumers business, handloom and other small industries, etc. The bank's agricultural advances were made according to the production-oriented system of lending. The bank had registered significant progress over the years. The recovery position of the bank was very good and the recoveries as on 30 June 1975 amounted to Rs 7124.96 lakhs.

Central Co-operative Banks

9. The number of central banks stood at 25 as on 30 June 1975 and their financial particulars since 1972-3 are given below:

TABLE 2

Particulars	Rs Lakhs		
	As on 30 June		
	1973	1974	1975
1. Number of banks	25	25	25
2. Number of offices	140	147	155
3. Paid-up capital	1084.99	1164.68	1340.50
4. Reserves	584.93	649.77	653.98
5. Deposits	2255.91	2822.40	3406.00
6. Borrowings	2301.20	2312.35	3483.43
7. Loans and advances	4530.10	5477.00	6704.68
8. Overdues	2015.09	1674.05	1654.97
9. Percentage of recoveries to demand ..	60.17	70.00	73.00

10. The performance of central co-operative banks had shown considerable improvement since 1972-3. By 30 June 1975, the deposits increased by Rs 1150.09 lakhs. The overdues also came down from about 40 per cent to 27 per cent of the demand. The improvement in the working of

the central co-operative banks was also reflected in the fact that 5 out of 16 came out of the category of 'weak' banks under rehabilitation.

Primary Agricultural Credit Societies

11. As on 30 June 1974, there were 14,877 primary agricultural credit societies on the rolls covering 26,468 out of the total number of 27,084 villages and a population of 313.61 lakhs. However, the nominal and effective membership stood at 24.54 lakhs and 10.27 lakhs, respectively. Out of the 8.78 lakh members indebted to the societies at the end of the year, 3.46 lakhs were defaulters. The effective coverage of rural households is only 14 per cent, an indication of inadequate services rendered by the primary societies.

12. A special feature of the primaries in Andhra Pradesh was that more than 90 per cent of the societies are having unlimited liability. This acted as a restraint on increasing their membership. Out of 14,877 societies, as many as 3,111 were dormant. Only 2,078 societies had full-time paid secretaries; 1,585 societies had part-time and 11,214 had honorary secretaries. In fixing the maximum borrowing power of the societies the state was still following antiquated procedures of linking it to the valuation of the fixed assets which itself hardly took note of the present increase in their value. There were societies where the maximum borrowing power was only Rs 20,000. The maximum borrowing power of individuals continued at less than Rs 500 in many districts.

13. The details of averages per society relating to membership, number of borrowing members, working capital, loans advanced, etc., *vis-a-vis* all-India averages for the year 1973-74 are given below:

TABLE 3

	1973-74	
	Andhra Pradesh	All-India
1. Average membership per society . .	165	227
2. Number of borrowing members per society	69	85
3. Working capital per society (Rs)	52,500	1,02,743
4. Loans advanced per society (Rs) . .	21,138	49,276
5. Loans advanced per borrowing member (Rs) . .	306	581

14. The average loan business of the societies was far below the level of Rs 2 lakhs considered as the minimum for making a society viable. As at the end of the year 1972-3, only about 3 per cent (452 societies) of the total had reached a viable loan business of Rs 2 lakhs although the programme of re-organization of primary agricultural credit societies was initiated a decade ago. The total credit needs of the state were estimated at Rs 200 crores and assuming that 50 per cent of this would be met by the primaries, their maximum number should not exceed 5,000 or at the most 5,500. A vigorous programme for re-organizing the societies as viable/potentially viable units and increasing their business had to be drawn up and pursued.

Viability of Societies

15. The viability of societies after business integration is indicated in Statement 2. The recovery position at the primary level after the business is integrated is given in Statement 3.

Long-term Credit Structure

16. Andhra Pradesh is among the very first states to avail of ARDC's assistance substantially to boost up agricultural investments in the state. The entire credit in this regard goes to the long-term credit structure which is federal in its pattern with a central land development bank (now known as Andhra Pradesh Co-operative Central Agricultural Development Bank Ltd.) and 190 primary banks affiliated to it. The names of primaries have also been changed to Agricultural Development Banks. After the ARDC was set up in July 1963, the bank's loans and advances rose substantially from Rs 3.23 crores in 1962-63 to Rs 11.22 crores in 1965-66. This trend was maintained thereafter, except for a fall in advances during 1971-72 and 1972-73. The bulk of its loans was for production purposes. The bank has taken recently steps to diversify its loan portfolio by formulating schemes for dairy development, sericulture, sheep rearing, pisciculture, etc.

17. The bank's advances during the year 1974-5 were higher by Rs 705.79 lakhs over that of the previous year. The increase was made possible by various steps taken by the bank to streamline the procedures and quicken the disbursement of credit. Among others, dispensing with the public enquiry required under Section 98 of the Andhra Pradesh Co-operative Societies Act, 1964, and Rule 57 thereof, also helped in accelerating the pace of disbursement. The repeal of Andhra Pradesh

Agricultural Lands (Prohibition of Alienation) Act of 1972 on enforcement of Andhra Pradesh Land Reforms (Ceiling on Agricultural Holding) Act of 1973 effective from 1 May 1975, has now enabled, certain categories of farmers affected earlier to obtain loans from LDB. In pursuance of the state policy to assist the financially weaker sections of the community, the bank had advised the primary banks to earmark 50 per cent of the loans to such farmers. The farmers including tribals holding upto 2 hectares of land had been advanced a sum of Rs 61.0 lakhs constituting 32 per cent of the total advances made during the year. The total demand under principal and interest recoverable from the primary land development banks amounted to Rs 1943.36 lakhs. Of this, the bank was able to collect a sum of Rs 1765.44 lakhs and in terms of percentage, the recoveries of the bank worked out to 90.8.

Primary Agricultural Development Banks

18. A statement showing the region-wise progress in the working of primary banks is furnished in Table 4.

19. The total demand of primary land development banks from their members for the year 1974-5 aggregated Rs 2429.77 lakhs. Of this, the banks had collected Rs 2025.05 lakhs leaving a balance of Rs 404.72 lakhs at the end of the year. The percentage of overdues to demand worked out to 16.7 as against 17 at the end of the previous year. Out of 190 banks, 61 banks could recover the demand in full, while in 4 banks there was no demand since they were all newly organised.

20. The recovery position in regard to the PLDB is furnished in Table 5.

21. It will be seen from Table 5 that out of 190 banks as many as 160 banks (80 per cent) were eligible for unrestricted lending programme indicating their good recovery performance. In accordance with the revised programme projected by the SLDB, a long-term loaning of Rs 23.02 crores for the year 1975-76 has been proposed which included Rs 7.65 crores under ordinary loaning and Rs 15.37 crores under ARDC schemes.

TABLE 4

	Rs Lakhs								
	Coastal Andhra Pradesh			Rayalaseema			Telangana		
	1972-73	1973-74	1974-75	1972-73	1973-74	1974-75	1972-73	1973-74	1974-75
No. of PLDB	79	79	83	39	39	39	66	66	68
Loans advanced ..	274.01	681.35	998.21	169.30	314.46	475.78	254.61	235.65	440.92
Loans due from members	4414.18	4567.72	4937.46	1963.21	2032.25	2238.99	3184.05	3046.85	3067.12
Instalment demand	865.19	910.99	1001.07	392.56	447.25	501.90	697.03	893.10	926.80
Percentage of recovery	94.6	94.2	94.5	84.8	84.3	84.5	60.6	68.6	70.7

TABLE 5

Recovery as percentage to demand		No. of PLDB
75 per cent or over	...	145
65 per cent to 75 per cent	...	15
55 per cent to 65 per cent	...	15
45 per cent to 55 per cent	...	10
Below 45 per cent	...	5
		190

ARDC Schemes

22. As on 30 June 1975, ARDC had sanctioned 210 schemes for implementation through the SLDB, commercial banks and the state co-operative bank involving a total financial assistance of Rs 84.70 crores. The disbursements by banks upto 30 June 1975 amounted to Rs 42.56 crores. Out of a total programme of Rs 84.70 crores, SLDB's share accounted for Rs 71.48 crores in a total of 138 schemes, the disbursements thereunder being Rs 39.64 crores.

Secretariat of the Committee
Bombay
 6 March 1976

Sr. No.	Type of institutions	No. of institutions	No. of branches	Paid-up capital	Statutory reserve	Other reserves	Deposits	Borrowings	Working capital	Investments	Loans outstanding	Overdues	Demand during the year	Percentage of recoveries to demand
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1.	State Co-operative Bank	1	3	289.67	120.45	276.54	2716.43	2218.17	5878.00	886.35	4539.82	16.00	7140.96	97.9
2.	District Central Co-op. Banks ..	25	155	1340.50	653.98		3406.00	3483.43	8884.92	540.97	6704.68	1654.97	6126.49	73.0
3.	Primary Agricultural Credit Societies (30 June 1974) ..	14877	—	1206.56	266.67	214.06	460.16	3879.91	7810.36	1199.52	5019.95	1978.34	4872.75	59.4
4.	Co-operative Central Agricultural Development Bank ..	1	10	623.73	262.93	377.34	421.41	13588.39	15368.63	NA	10230.59	177.92	1754.48	82.4
5.	Co-operative Agricultural Development Banks ..	190	—	1069.66	101.85	94.75	—	10229.28	11495.53	229.44	10243.58	404.72	2429.77	83.3

STATEMENT 2

VIABILITY OF PRIMARY AGRICULTURAL CREDIT SOCIETIES AFTER INTEGRATION OF ST AND LT
BUSINESS IN ANDHRA PRADESH

As on 30 June 1974

Rs Lakhs

Sr. No.	District	No. of PACS	Average per Society			
			Existing ST loan business	Existing LT business	Combined business after takeover	Potential business (ST + LT)
1	2	3	4	5	6	7
1.	Srikakulam	1337	0.14	0.29	0.43	1.05
2.	Visakhapatnam	621	0.60	0.39	0.99	2.14
3.	East Godavari	761	0.58	0.70	1.28	2.11
4.	West Godavari	392	1.28	1.66	2.94	4.15
5.	Krishna	718	0.94	1.28	2.22	2.51
6.	Guntur	698	0.18	1.35	1.53	2.43
7.	Prakasam ..	653	0.20	0.82	1.02	2.02
8.	Nellore	434	0.21	0.83	1.04	4.44
9.	Chittoor	885	0.26	0.59	0.85	1.26
10.	Kurnool	588	0.16	0.81	0.97	3.20
11.	Anantpur ..	710	0.33	0.87	1.20	2.81
12.	Cuddapah ..	650	0.24	0.64	0.88	2.66
13.	Hyderabad ..	622	0.14	0.36	0.50	1.48
14.	Adilabad ..	618	0.42	0.41	0.83	1.87
15.	Karimnagar	898	0.30	0.58	0.88	1.98
16.	Nizamabad ..	600	0.60	0.48	1.08	2.25
17.	Warrangal ..	581	0.02	0.53	0.55	2.39
18.	Medak ..	925	0.14	0.30	0.44	1.29
19.	Mahaboobnagar ..	923	0.18	0.44	0.62	2.11
20.	Khammam	501	0.40	2.28	0.68	1.85
21.	Nalgonda	761	0.31	0.82	1.13	4.24

STATEMENT 3

RECOVERY POSITION OF PRIMARY AGRICULTURAL CREDIT SOCIETIES IN ANDHRA PRADESH
AFTER ST AND LT BUSINESS IS INTEGRATED

As on 30 June 1974

Sr. No.	District	Percentage of recoveries to demand		Percentage of recoveries to demand (Integrated Credit) (ST + LT)
		ST	LT	
1	2	3	4	5
1.	Srikakulam	53	83	63
2.	Visakhapatnam	69	97	72
3.	East Godavari	68	99	72
4.	West Godavari	72	94	78
5.	Krishna	71	93	76
6.	Guntur	66	95	78
7.	Prakasam	72	97	85
8.	Nellore	70	96	81
9.	Chittoor	65	96	74
10.	Kurnool	66	74	69
11.	Anantpur	29	81	50
12.	Cuddapah ..	42	92	53
13.	Hyderabad ..	42	51	46
14.	Adilabad ..	66	69	67
15.	Karimnagar..	47	95	63
16.	Nizamabad ..	41	75	48
17.	Warrangal ..	41	71	69
18.	Medak	51	49	50
19.	Mahaboobnagar	36	68	53
20.	Khammam	62	70	64
21.	Nalgonda	47	69	57

BIHAR

General Features

Bihar can be divided into three broad agro-climatic regions, viz., plains of North Bihar, plains of South Bihar and hilly regions of Chhotanagpur plateau. While the first two regions have about 60 per cent of the most fertile lands in the state, the plateau region does not have so productive a cultivable area. With a population of 563.53 lakhs, Bihar ranks second, i.e., next to Uttar Pradesh, among all the states in the country. It has a very high density of population of 324 per sq km compared to only 182 for the country as a whole. For administrative purposes the state was till recently divided into 17 districts in 4 divisions, viz., Tirhut, Patna, Bhagalpur and Chhotanagpur. The districts have since been re-organised into 31 districts with 2 more divisions, viz., Kosi and Darbhanga.

Agricultural Situation

2. Agriculture contributes about 50 per cent to the state's aggregate income. While 71 per cent of the gross value of the crops was accounted for by foodgrains, only 20 per cent was contributed by non-foodgrains. Of the total cropped area in the state (106.83 lakh ha), about 90 per cent was utilised for production of food crops and the remaining 10 per cent for non-food crops. Among non-food crops sugarcane and potato were important. The important cash crops of the state are jute, sugarcane, linseed and turmeric. The state still continues to be generally deficit in foodgrains. During the period 1952-3 to 1969-70, the agricultural production in the state increased at an annual growth rate of 0.7 per cent as compared to 3.1 per cent for the country as a whole. The operational holdings were small and highly fragmented and the average size of land holding was about 1.5 hectares per farm family. About 79 per cent of the cultivating holdings was in the size group of 2 hectares and below resulting in the large number of small/marginal and sub-marginal farmers as may be seen from Table 1.

3. The high yielding varieties programme was introduced in respect of paddy, wheat and maize crops throughout the state in 1966. Due to frequent floods and droughts, there had been considerable economic stagnation in the key sector of agriculture. As against the programme of 114 lakh tonnes, the foodgrains production in the state in 1973-4 was about 76.79 lakh tonnes. In 1972-3 the state government had planned

TABLE 1

Size of holdings (in ha)					No. of holdings (in lakhs)	Percentage to total number of holdings	Area of holdings (in lakh ha)	Percentage to total area of holdings
Below 1	..	..	..	..	48.74	64.3	18.45	16.1
1-2	..	..	..	..	11.09	14.6	15.63	13.6
2-4	..	..	..	..	9.15	12.1	25.37	22.1
Above 4	..	..	..	..	6.79	9.0	55.35	48.2

Source: All-India Report on Agricultural Census, 1970-71

to bring 20 lakh ha of land in the command areas of river valley projects under multiple cropping but the actual achievement was 2.37 lakh ha or about 12 per cent. The farmers had also been slow in adopting new agricultural techniques.

Irrigation Facilities and Groundwater Potential

4. In the matter of irrigation facilities, Bihar ranks third after Uttar Pradesh and Andhra Pradesh. The net area sown in the state in 1971-2 was 82.76 lakh ha, of which 23.84 lakh ha (or 29 per cent) were under irrigation. The gross cropped area in 1971-2 was 106.83 lakh ha and the gross irrigated area in that year was 27.88 lakh ha. The ultimate irrigation potential of Bihar was estimated to be 80 lakh ha. Thus, only about one-third of the ultimate irrigation potential had been realised through irrigation work and utilised so far. The main sources of irrigation are canals and wells. The former districts of Shahabad (Arrah), Gaya and Patna to the south of Ganga and Purnea, Monghyr and Saharsa districts to the north as also Champaran (Motihari) district in the Gandak command area, mainly benefit from canal irrigation. With good irrigation facilities, agriculture was relatively more developed in the plains of Bihar; they were very poor in south Bihar which suffered frequently from droughts. The rocky nature of the terrain in Chhotanagpur division did not also permit the exploitation of groundwater by drilling tubewells.

5. According to the estimates of the Task Force on Groundwater Resources, the total usable groundwater potential in the state had been estimated at 21.90 million acre feet. Taking into account existing draft of 2.81 million acre feet, groundwater surplus available for further exploitation would be 19.09 million acre feet. The available groundwater resources would be able to support about 1.06 million open wells,

2.6 lakh private tubewells and 50,000 deep tubewells which in all are likely to irrigate additionally an area of 4.00 million ha. The over-exploited areas in respect of groundwater are southern parts of Nalanda, Rohtas and Patna districts.

Co-operative Credit Structure

6. The co-operative credit structure of Bihar, for short and medium-term credit, consisted of a state co-operative bank, 28 central co-operative banks and 16,500 primary agricultural credit societies. The Bihar Rajya Sahakari Bhumi Vikas Bank with its 117 branches catered to the long-term credit requirements of the agriculturists. Details of the financial particulars of the credit agencies functioning in the short-term and long-term wings of the co-operative credit structure as on 30 June 1975 are furnished in Statement 1.

State Co-operative Bank

7. The Bihar State Co-operative Bank was registered in 1914 under the Co-operative Societies Act of 1912 and commenced business during the same year. The bank was included in the Second Schedule to the RBI Act, 1934, on 2 July 1966. The membership of the bank comprised the central co-operative banks, the apex and other co-operative institutions, the state government and sixteen individuals. The progress made by the bank during the last three years ended 30 June 1975 is given below :

TABLE 2

Sr. No.	Particulars	Rs Lakhs		
		30-6-1973	30-6-1974	30-6-1975
1.	Paid-up capital	144.62	144.70	147.01
2.	Reserves & other funds	230.03	261.33	301.02
3.	Deposits	1383.96	1906.04	1980.43
4.	Borrowings	1129.59	580.12	899.39
5.	Loans issued	1963.03	2383.19	NA
6.	Loans and advances outstanding	1929.75	2073.96	2379.48
7.	Overdues	806.89	846.24	1054.02
8.	Percentage of recoveries to demand	67.0	68.8	59.0
9.	Profit earned during the year	14.0	10.0	19.0

8. It will be seen from the above that the owned funds of the bank had remained practically stagnant during the past three years. The bank's advances were mostly for agricultural purposes. The loans issued which had stood around Rs 10 crores in 1970-71 had more than doubled

to Rs 23.89 crores as at the end of June 1974. The most disquieting feature of the working of the bank was a sharp increase in overdues. The overdues of the bank at Rs 806.89 lakhs as on 30 June 1973 had risen to Rs 1054.02 lakhs as on 30 June 1975, the percentage of recoveries to demand having gone down from 67 to 59 during the same period. The profit of the bank as on 30 June 1974 constituted 0.36 per cent of the working capital and was on the low side.

Central Co-operative Banks

9. Prior to 1956, there were 43 central co-operative banks in 17 districts of the state. However, by a process of voluntary and compulsory amalgamations, their number was reduced to 28 by 1965. These 28 central co-operative banks are now serving 31 re-organized districts of the state. As the re-organization of the districts in the state had been done only recently, the area of operation of certain banks covered more than one district while certain districts had more than one bank each. A table showing the trends in the growth of owned funds, deposits, loans, and the increase in the position of overdues, etc., for the years 1972-3 to 1974-5 is given below :

TABLE 3

Particulars	Rs Lakhs		
	As on 30 June		
	1973	1974	1975
No. of central banks	28	28	28
No. of branches	144	173	181
Paid-up share capital	527.20	539.46	558.16
Owned funds	672.55	949.56	976.97
Deposits	915.24	1031.58	1158.00
Outstanding borrowings	1781.59	1854.41	2049.22
Loans advanced during the year	1938.95	1521.35	1948.00
Loans outstanding at the end of the year	2822.53	3014.17	3329.81
Overdues	1688.67	1892.42	2304.79
Percentage of recoveries to demand	54.0	38.0	40.0

10. The owned funds and deposits of the banks had recorded a poor growth. This, in the context of heavy overdues which had been increasing since 1972-3, had adversely affected their capacity to provide adequate non-overdue cover in respect of their borrowings from Reserve Bank of India. As on 30 June 1974, the overdues of 13 out of 28 banks in the state had exceeded 60 per cent of the demand.

11. A comparative picture of the business of the central co-operative banks in Bihar and the country as a whole is given in Table 4.

TABLE 4

Particulars						Average in respect of central co-operative banks in Bihar (as on 30-6-1974)	Rs Lakhs All-India
Owned funds	..	..	..	..	..	26.11	82.29
Deposits	..	..	..	..	..	37.72	210.73
Outstanding borrowings	..	..	..	..	..	68.21	149.26
Working capital	..	..	..	..	..	132.02	467.67
Loans outstanding	..	..	..	..	..	109.37	341.00
Short-term (Agri.) loans outstanding	..	..	..	..	..	65.89	222.99

12. The Working Group on Co-operation for the Fifth Five Year Plan had suggested that a viable central co-operative bank should have a minimum business of Rs 1 crore and working capital of about Rs 1.20 crores. A bank with a loan business of Rs 75 lakhs is considered potentially viable if it has prospects to reach a loan business of Rs 1 crore. On the basis of the above norms of viability/potential viability, out of 28 central banks in the state, 14 banks were viable, 4 were potentially viable and 10 were non-viable as at the end of June 1974.

13. Twenty four out of 28 central co-operative banks presently operating in the state are weak and need to be covered by the Rehabilitation Scheme. Out of these, 12 banks had been taken up for rehabilitation under the new central sector scheme with the approval of the Government of India. The progress in implementation of the scheme had been slow.

14. Summing up, most of the banks were financially weak and had not been able to play an effective role in the field of deposit mobilisation and recovery of their dues.

Primary Agricultural Credit Societies

15. As on 30 June 1975, of the total number of 16,500 societies 930 were dormant/defunct and 15,570 were active. These societies covered 98 per cent of the villages (67,665) or 33 per cent of the rural families in the state. Their membership was 28,38,000 of which the borrowing members aggregated 10,38,000, constituting 37 per cent as against the all-India average of 39. The proportion of members who borrowed loans during 1972-3 to total rural households stood at 10 per cent indicating very low coverage by primary agricultural credit societies in Bihar. The loans outstanding at the primary level as on 30 June 1975 were Rs 28.28 crores. The credit potential in the state was estimated

at Rs 175 crores on the basis of which, only 4,299 societies were considered to be viable. At present only 2,250 societies (about 14 per cent of the total) had full-time secretaries. The share capital of the societies amounted to Rs 637 lakhs and the working capital at Rs 4573 lakhs. Due to inadequate coverage and working capital, the societies were not capable of providing credit facilities on a scale adequate to meet the demands for funds. They disbursed about Rs 12.40 crores as ST loans and Rs 3.30 crores as MT loans during 1974-5. Their overdues were also heavy, indicating that their borrowings from higher financing agencies were locked up in overdues.

16. The co-operative credit movement in the state had been afflicted by heavy overdues at all levels, thereby seriously impeding the free flow of credit for productive purposes. The Reserve Bank of India had prepared a Master Plan in 1972 for the accelerated development of agricultural production credit through co-operatives. The state government was also requested to take immediate steps for the re-organization of the societies to enable them to attain the standards of viability. The Plan envisaged a substantial increase in the financial resources of these institutions, measures for eradication of overdues, grant of managerial subsidies to potentially viable societies and contribution to the share capital of societies/banks by the state government. There had been no progress in the re-organization of societies and their number stood at the constant figure of 16,500 for the past several years. The following table illustrates the backwardness of the societies in the state.

TABLE 5

Sr. No.	Particulars	1973-74	
		Bihar	All-India
1.	Average membership per society	171	227
2.	Number of borrowing members per society	61	85
3.	Working capital per society (Rs)	24,667	1,02,743
4.	Loans advanced per society (Rs)	8,229	49,276
5.	Loans advanced per borrowing member (Rs)	135	581

The societies were generally weak in regard to their capital structure, deposits, etc. The membership covered only 34 per cent of the agricultural families and the average loan per borrowing member in the state had come down to Rs 135 as against the all-India average of Rs 581. Another major weakness in the working of the societies was the mounting overdues since 1969-70 as may be seen from Table 6.

TABLE 6

Year				Rs Crores		
				Loans outstanding	Overdues	Percentage of overdues to outstanding
1969-70	..	..	..	19.31	9.65	50
1970-71				19.92	12.48	63
1971-72				21.25	13.21	63
1972-73				26.19	14.03	53*
1973-74				28.27	17.39	61
1974-75	..	..	.. ..	27.16	20.01	74

* The fall in overdues during 1972-3 was partly due to conversion of short-term loans into medium-term loans.

17. Low coverage, lower borrowing membership, inadequate loan business and the high level of overdues have together contributed to the ineffective role played by the primary agricultural credit societies in meeting adequately the credit requirements of farmers in the state.

18. Acting on the advice of the RBI to have only one society for a cropped area of 2000 acres, Government of Bihar have proposed to have in the state about 5,000 such societies through a process of amalgamation/liquidation of the existing societies. Apart from re-organization in the above manner, 112 LAMPS are proposed to be set up in the Chhotanagpur and Santhal Parganas region and 25 FSS in the SFDA areas; 32 LAMPS and 5 FSS have already been set up in the state.

Long-term Credit Structure

19. The long-term credit movement in the state had made little progress. The structure for co-operative land development banking was unitary in character. The Bihar Rajya Sahakari Bhumi Vikas Bank was registered on 18 December 1957 with the whole of Bihar as its area of operation. The bank commenced dispensing long-term credit from 1958-9. The bulk of the transactions of the bank was confined to the plains where a large number of its branches were located. The bank has five regional offices with 117 branches. As on 30 June 1975, its working capital stood at Rs 73.68 crores while its deposits aggregated Rs 0.14 crores only. The total loans outstanding stood at Rs 54.39 crores of which a sum of Rs 4.12 crores was overdue. The overdues position in regard to the branches is furnished in

TABLE 7

Overdues as percentage to demand	No. of branches
25 per cent and below	49
25 to 35 per cent	39
35 to 45 per cent	16
45 to 55 per cent	10
Above 55 per cent	3
Total	117

Table 7. It will be seen therefrom that out of 117 branches only 49 were eligible to undertake unrestricted loaning. A long-term loaning of Rs 30 crores for the year 1976-77 was proposed by the state government which included Rs 20 crores under ordinary loaning and Rs 10 crores under ARDC schemes.

20. The bank had not declared any dividend since 1968-69. Its profits as on 30 June 1974 stood at Rs 0.12 crore.

21. Although during the last few years the bank had made some progress in the issue of long-term loans mainly on account of schemes sanctioned by the ARDC, the progress cannot be said to be satisfactory. It has been estimated that the institutional finance for agricultural development programmes in the Fifth Plan period will be about Rs 140 crores. Out of this, the share of the land development banks is expected to be Rs 100 crores and the remaining amount would be provided by central co-operative banks and commercial banks.

ARDC Schemes

22. As on 30 June 1975, ARDC had sanctioned 71 schemes for implementation through the SLDB, commercial banks and State Co-operative Bank involving a total financial assistance of Rs 63.74 crores. The disbursements upto 30 June 1975 amounted to Rs 19.34 crores. Out of a total programme of Rs 63.74 crores, LDB's share accounted for Rs 37.10 crores in respect of a total of 22 schemes, the disbursements thereunder being Rs 14.74 crores.

Secretariat of the Committee

Bombay

10 February 1976

STATEMENT 1

FINANCIAL AND OTHER PARTICULARS RELATING TO THE CO-OPERATIVE CREDIT INSTITUTIONS IN BIHAR
AS ON 30 JUNE 1975

Rs Lakhs														
Sr. No.	Type of institutions	No. of institutions	No. of branches	Paid-up capital	Statutory reserve	Other reserves	Deposits	Borrowings	Working capital	Investments	Loans outstanding	Overdues	Demand during the year	Percentage of recoveries to demand
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1.	State Co-operative Bank	1	8	147.01	71.13	229.89	1980.43	899.39	3564.44	681.15	2379.48	1054.02	2847.66	59.0
2.	District and Central Co-operative Banks	28	181	558.16	418.81		1158.00	2049.22	3748.50	NA	3329.81	2304.79	4054.69	40.0
3.	Central Land Development Bank	1	117	539.76	20.93	19.35	14.28	6353.59	7367.58	1220.29	5439.20	411.67	1181.64	65.0
4.	Primary Agricultural Credit Societies	16500	—	637.48	94.50		160.49	2436.21	4573.01	NA	2827.96	1901.74	NA	35.2

GUJARAT

General Features

The present State of Gujarat came into existence on 1 May 1960 as a result of bifurcation of the State of Bombay. It has an area of 196 thousand sq. km. and a population of 266.97 lakhs. Physiographically, the state can be divided into two major regions, the main land and the peninsula. It is surrounded by Rajasthan on the north and north-east, Madhya Pradesh and Maharashtra in the South, Arabian Sea in the West and Pakistan in the north-west. The density of population is 136 per sq. km. as against 182 for the country as a whole. The total rural population of the state is 192 lakhs forming 72 per cent of the total population of which, 29 per cent is gainfully employed in agriculture. The state has been divided into 19 districts comprising 18,275 villages of which 17,853 were inhabited.

Agricultural Situation

2. The state is one of the 11 states in the Indian Union where the cultivable area is more than 50 per cent of the geographical area. Of the total reported area of the state at 185 lakh hectares, 53 per cent is under cultivation, 9 per cent is covered by forests, 26 per cent is not available for cultivation and 12 per cent is fallow and uncultivable land. There is only marginal scope for bringing additional area under plough on account of semi-desert area in northern parts, viz., Kutch and Banaskantha districts.

3. The most striking feature of agriculture in the state is the predominance of cash crops like groundnut, cotton and tobacco. The state has the second largest area under cotton after Maharashtra. It accounts for one-fifth of the area and about one-third of the production of cotton in the country. It is also the largest groundnut growing state and leading producer of tobacco in the country. As against the area under cash crops at 25 per cent of the cropped area for all-India, the area under cash crops in Gujarat is 40 per cent of the cropped area. Among foodgrain crops, bajra, rice, wheat, maize and jowar are important crops. The state is the second largest bajra producing state, accounting for one-fifth of the country's bajra output. These foodgrain crops account for a third of value of agricultural production, although they accounted for about 60 per cent of the cropped area. As a result of predominance of cash crops and the low yield of food crops the state

had been in deficit in foodgrains for a long time. The agricultural production in the state is marked by high degree of instability.

4. The total of the operational holdings in the state was estimated at 100 lakh hectares. Of this area, 1.66 lakh hectares were wholly irrigated, 8.70 lakh hectares partly irrigated and 89.64 lakh hectares were unirrigated. The data in respect of size of holdings are as under:

TABLE 1

Size of holdings in hectares				No. of holdings (in lakhs)	Percentage to total number of holdings	Area of holdings (in lakh hectares)	Percentage to total area of holdings
Below 1	..	..	..	5.79	23.8	3.00	3.0
Between 1 and 2	..	..	..	4.64	19.1	6.81	6.8
Between 2 and 5	..	..	..	7.31	30.0	23.86	23.9
Above 5	..	..	..	6.59	27.1	66.33	66.3

Source: All-India report on Agricultural Census 1970-71.

As may be seen from the above table, 27.1 per cent of the total number of holdings in the size group of above 5 hectares accounted for 66.3 per cent of the total area indicating preponderance of large holdings. The average size of operational holding was above 6 hectares of land. This average was large because of larger holdings in Saurashtra, Kutch and North Gujarat regions. In southern and central Gujarat the holdings were smaller than the average holdings of the state.

5. The agricultural sector had made rapid progress over the past few years and placed the state in the first five states in respect of agricultural growth in the country. About 45 per cent of the state's income is derived from agriculture and allied activities which provides employment to 65 per cent of the state's working population.

Irrigation Facilities and Groundwater Potential

6. Agriculture in Gujarat suffers from lack of adequate water. There are no perennial rivers in the state except Narmada and Tapi. Even in the case of these two rivers the flow is subject to wide variations. Other rivers of the state like the Sabarmati, the Mindholo, the Ambika, the Purna and the Mahi have limited quantity of water. All these rivers carry more than 90 per cent of water during the monsoon months only. Lack of reservoir sites due to flat nature of terrain and non-availability

of suitable foundation were the main obstacles to the full utilisation of the available surface water.

7. The state is woefully short of irrigation facilities. Only about one-eighth of its net sown area is irrigated as against one-fifth in the country as a whole. The sources of irrigation are wells and tubewells (78 per cent), canals (17 per cent) tanks (2 per cent) and other sources (3 per cent). According to the Irrigation Commission, the state has an ultimate irrigation potential, based on surface as well as groundwater, of 38 lakh hectares, i.e., about 40 per cent of the net sown area. However, of this only 32 per cent is utilised. Even the surface water irrigation facilities have not been adequately used. During 1974-5, only 60 per cent of the irrigation facilities available from major and medium projects were used. This utilisation was only three-fourths of the all-India average.

8. The state has a plan to make irrigation facilities available for 4 lakh hectares of land by the end of Fifth Plan bringing a total of 8.9 lakh hectares of land under irrigation out of a cropped area of 10.5 lakh hectares. It has also a plan to sink 135 tubewells and build 200 check dams at a cost of Rs 144 lakhs and Rs 64 lakhs, respectively during the year 1975-6.

Co-operative Credit Structure

9. The co-operative credit structure in Gujarat for the short-term and medium-term consisted of a state co-operative bank, 18 central co-operative banks, 8711 primary agricultural credit societies, 2 industrial co-operative banks and 235 urban co-operative banks. The Gujarat State Co-operative Land Development Bank at the state level with 182 branches at taluka level caters to the long-term requirements of the agriculturists. The financial particulars of the credit agencies functioning in the short-term and long-term wings of the co-operative credit structure as on 30 June 1975 are furnished in Statement 1.

State Co-operative Bank

10. The Gujarat State Co-operative Bank Ltd., was registered on 16 April 1960 and it commenced its business from 10 May 1960 after taking over the assets and liabilities for the area falling in the newly formed Gujarat State. Its membership consisted of 18 central co-operative banks, 119 primary co-operative banks, other apex co-operative institutions and the state government. The bank was granted a licence to carry on banking business on 17 May 1972 by the Reserve Bank of India.

The progress made by the bank during the last 3 years ended 30 June 1975 is given below :

TABLE 2

Rs Lakhs

Sr. No.	Particulars	As at the end of June		
		1973	1974	1975
1.	Paid-up capital	290.89	343.54	390.09
2.	Reserves and other funds	546.56	637.55	746.86
3.	Deposits	4,684.31	5,504.24	5,763.66
4.	Borrowings	3,510.29	5,480.16	8,099.48
5.	Working capital	9,166.68	12,201.68	15,391.00
6.	Loans advanced	11,449.97	11,801.55	10,124.66*
7.	Loans and advances outstanding	7,117.75	10,086.52	13,450.13
8.	Overdues (Total)	Nil	Nil	Nil
9.	Percentage of recoveries to demand during the year	100.00	100.00	100.00
10.	Profit earned during the year	41.26	70.30	72.42

* Excluding conversion loans

The overdues of the bank during the past three years had been nil. Although there is a steady increase in the deposits, the portion of call and fixed deposits of the bank formed a large proportion constituting 92 per cent of the total deposits. There was, therefore, a need for proper balance in the deposit portfolio of the bank. The loan policy and procedure followed by the bank were generally in accordance with the banking norms prescribed by the Reserve Bank of India.

Central Co-operative Banks

11. The number of central co-operative banks stood at 18 as on 30 June 1975 with the total number of branches at 566. All the districts of the state, except Dangs and Gandhinagar are served by a central co-operative bank. Dangs and Gandhinagar are served by central co-operative banks at Valsad and Ahmedabad, respectively. Kodinar taluka in Amreli district is served by a central co-operative bank separately. Their financial position is given in Table 3.

12. As may be seen from the particulars in Table 3, the total deposits of the central co-operative banks had increased from Rs 11,672.89 lakhs as on 30 June 1973 to Rs 13,980.39 lakhs as on 30 June 1975. However, the rate of growth of deposits over previous year was nearly constant. The overdues of all the banks had increased from Rs 2,654.14 lakhs as on 30 June 1973 to Rs 4,757.62 lakhs by the end of June 1975. On

account of wide-spread drought in the state a medium-term conversion limit of Rs 4,163.70 lakhs during the year 1974-75 was sanctioned to the banks.

TABLE 3

Rs Lakhs

Sr. No.	Particulars	As at the end of June		
		1973	1974	1975
1. Number of banks		18	18	18
2. Number of offices		502	536	566
3. Paid-up capital		2,010.18	2,317.73	2,569.33
4. Reserves		1,061.75	1,273.67	1,335.27
5. Deposits		11,672.89	12,789.95	13,980.39
6. Borrowings		5,811.22	8,729.14	12,219.39
7. Working capital		21,257.48	26,068.28	31,508.88
8. Loans and advances outstanding		16,026.09	20,192.20	24,631.64
9. Overdues (Total)		2,654.14	4,016.09	4,757.62
10. Percentage of recoveries to demand		80.0	74.0	77.5

13. Comparative averages of some of the aspects of the business operations of the central co-operative banks in Gujarat and for all-India as on 30 June 1974 are given below:

TABLE 4

Rs Lakhs

Particulars	Central banks in	
	Gujarat	India
Owned funds	199.52	82.29
Deposits	710.55	210.73
Outstanding borrowings	484.95	149.26
Working capital	1,448.24	467.67
Loans outstanding (Total)	1,121.79	341.00

In the case of the Kutch Central Co-operative Bank which was taken under the programme of rehabilitation as early as in 1966, no appreciable improvement had been registered in the working of the bank; the state government proposed that the bank may be included under the New Central Sector Plan Scheme, (for the purpose of assistance under the scheme). The Government of India have now accepted the proposal.

Primary Agricultural Credit Societies

14. As on 30 June 1975, there were 8,711 primary agricultural credit societies. Their total membership at 16.57 lakhs formed 42 per cent of

the rural households. The borrowing membership at 8.16 lakhs formed 21 per cent of the rural households. Of the 8419 societies, as on 30 June 1974, 4,369 societies, i.e., 51.8 per cent of the total were identified as viable, 3237 as potentially viable and the remaining as non-viable. As on 30 June 1975, the primary agricultural credit societies had deposits of Rs 807.09 lakhs and loans outstanding at Rs 19,796.09 lakhs. While 5,301 societies had full-time paid secretaries, 2,853 had part-time paid secretaries and 265 had only honorary secretaries.

15. Comparative averages of some of the business operations of the PACS in Gujarat and all-India as on 30 June 1974 are given in Table 5 below:

TABLE 5

Particulars	1973-74	
	Gujarat	All-India
Average membership per society	197	227
Number of borrowing members per society	113	85
Working capital per society (Rs)	2,61,183	1,02,743
Loans advanced per society (Rs)	1,51,143	49,276
Loans advanced per borrowing member (Rs)	1,332	581

16. While the average membership per society was lower than the all-India average, the number of borrowing members per society was higher than the all-India average. The loans advanced per society represented a fairly good picture. Though a large loan business was done by the primary societies, out of 8,419 societies, as on 30 June 1974, 5,945 societies had worked at a profit, 1,799 societies had worked at a loss and 675 societies had worked without profit or loss.

17. Although the programme of re-organisation of the primary agricultural credit societies into viable units was undertaken in Gujarat in 1967-8, it had not made any significant progress. As on 30 June 1974, out of 8,419 societies, 3,237 societies were potentially viable and 830 societies were non-viable. If district-wise position was taken, while the average loan business per society was more than Rs 1 lakh but less than Rs 2 lakhs (potentially viable societies) in the Kaira, Bulsar, Surat, Bhavnagar and Junagadh districts, it was below Rs 1 lakh in the case of Banaskantha, Mehsana, Panchmahals, Amreli, Jamnagar and Kutch districts. Further, in 15 districts as many as 3872 societies (45 per cent) had loans outstanding at less than Rs 1 lakh each. According to the draft Fifth Five Year Plan for the state, the requirement of production finance

was estimated at Rs 186.60 crores. As against this, the loans outstanding at the primary level were Rs 134 crores (as on 27 December 1974). The state government was taking steps to re-organise the societies to ensure that the entire credit potential would be met by co-operatives.

18. In pursuance of a decision taken by the Gujarat State Farming Board a new type of primary agricultural credit societies, numbering 21, with unlimited liability styled as "Agricultural Production Co-operative Societies" had been organised and registered in certain villages in the Ahmedabad district where viable primary agricultural credit societies were already functioning.

19. Further, a block level farmers' service society was registered in the backward area of Umapad in Surat district in October 1974. The area of operation of the society extended to 110 villages (mainly inhabited by Adivasis) covering a total population of about 72,000. The membership of the society was only 1116 in December 1975. By the end of February 1976, the society collected an amount of Rs 92 thousands as share capital. One more farmers' service society had been registered in Banaskantha district.

Long-term Credit Structure

20. The long-term credit structure in the state is unitary in character functioning through 182 branches all over the state except the area in the hilly Dang district. The Gujarat State Co-operative Land Development Bank Ltd. was formed in May 1960 out of the Saurashtra Central Co-operative Land Mortgage Bank Ltd. which was established on 6 September 1951. Certain major indicators of the working of the central land development bank are given in Table 6 below:

TABLE 6

Rs Lakhs

Sr. No.	Particulars	As at the end of June		
		1973	1974	1975
1.	Paid-up capital	1,082.90	1,136.89	1,198.16
2.	Reserves	231.51	250.83	293.02
3.	Debentures (outstanding)	13,848.89	14,903.58	15,469.13
4.	Deposits	15.02	21.52	14.00
5.	Working capital	16,586.31	17,502.92	18,350.87
6.	Loans disbursed during the year	1,944.02	997.34	1,207.47
7.	Loans outstanding	11,241.99	10,930.73	12,321.90
8.	Overdues	825.77	987.77	1,663.00
9.	Percentage of recoveries to demand	38.8	52.5	27.7

21. There was a steep decline in the loans and advances issued by the SLDB over a period of 3 years. As against Rs 1944.02 lakhs issued in 1972-3, loans issued during 1974-5 aggregated Rs 1207.47 lakhs. The overdues of the bank were showing rising trend. They had increased from Rs 825.77 lakhs as on 30 June 1973 to Rs 1663.00 lakhs as on 30 June 1975 and the main reasons for heavy overdues during the year 1974-5 were reported to be due to scarcity and semi-scarcity conditions prevailing in over 13,000 villages. The number of weak branches requiring rehabilitation worked out to 74 as on 30 June 1974 and of these, 63 would need rehabilitation on a priority basis. The recovery performance of the branches of the state land development bank as on 30 June 1975 was as under :

TABLE 7

Recoveries as percentage to demand	No. of branches
75 per cent or over	10
65 per cent to 75 per cent	7
55 per cent to 65 per cent	7
45 per cent to 55 per cent	16
40 per cent to 45 per cent	13
Below 40 per cent	129
Total ..	182

Thus, out of 182 branches, hardly 17 branches (9 per cent) qualified for unrestricted lending, and 36 branches (20 per cent) would be eligible for restricted lending. Significantly, as many as 129 branches (71 per cent) were disqualified for any lending programme.

Staff position

22. The position of the staff at the level of central land development bank's head office and its branches is given in Statement 2. It will be seen therefrom that technical staff at the branch level is very poor.

ARDC Schemes

23. As on 30 June 1975, the ARDC had sanctioned 91 schemes involving a total financial outlay of Rs 7,459 lakhs for implementation through the land development bank, commercial banks and the state co-operative

bank. Of these, 54 schemes accounting for Rs 6,409 lakhs were sanctioned for implementation through the land development bank which formed 86 per cent of the total programme. As against the expected drawal of refinance assistance of Rs 5,712 lakhs from the ARDC, the SLDB's drawal amounted to Rs 4,569 lakhs (80 per cent).

Viability of Societies

24. The viability of societies after business integration is indicated in Statement 3. The recovery position at the primary level after the business is integrated is also given in Statement 4.

Secretariat of the Committee

Bombay

28 May 1976

STATEMENT 1

FINANCIAL AND OTHER PARTICULARS RELATING TO CO-OPERATIVE CREDIT INSTITUTIONS IN GUJARAT
AS ON 30 JUNE 1975

Rs Lakhs

Sr. No.	Type of institutions	No. of institutions	No. of branches	Paid-up capital	Statutory reserve	Other reserves	Deposits	Borrowings	Working capital	Investments	Loans outstanding	Overdues	Demand during the year	Percentage of recoveries to demand
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1.	State Co-operative Bank	1	—	390.09	119.70	627.16	5763.66	8099.48	15391.00	1458.00	13450.13	Nil	NA	100.00
2.	District Central Co-operative Banks	18	566	2569.33	498.58	836.69	13980.39	12219.39	31508.88	5142.62	24631.64	4757.62	21111.66	77.5
3.	Primary Agricultural Credit Societies	8711	—	4062.55	934.71	739.09	807.09	18052.72	27636.25	2286.58	19796.09	4827.28	17895.02	73.0
4.	Central Land Development Bank	1	182	1198.16	165.34	127.68	14.00	15579.76	18350.87	5733.98	12321.90	2594.34*	3584.29*	27.7

* Includes interest.

STATEMENT 2

STAFF AT THE LEVEL OF THE CENTRAL LAND DEVELOPMENT BANK'S HEAD
OFFICE AND ITS BRANCHES

As on 30 June 1975

Categories of Staff	Total	Of which, drawn from state government on deputation
HEAD OFFICE		
(a) (i) Managerial staff ..	9	2
(ii) Officers	65	—
(b) Supervisory (field) staff	171	—
(c) Technical staff		
(i) Ground Water ..	—	—
(ii) Animal Husbandry	—	—
(iii) Horticulture	—	—
(iv) Others		
Dy. Engineer (Civil) ..	7	—
Overseer	2	—
Draftsman	2	—
EDP Officer	1	—
Agricultural Development Officer ..	1	—
(d) Clerical	160	—
(e) Others	—	—
BRANCHES		
(a) Managerial staff (District Officers) ..	33	—
(b) Supervisory (field) staff	471	—
(c) Technical staff		
Agricultural Development Officers ..	5	—
(d) Clerical	748	—
(e) Others	—	—

STATEMENT 3

VIABILITY OF PRIMARY AGRICULTURAL CREDIT SOCIETIES IN
GUJARAT AFTER INTEGRATION OF ST AND LT BUSINESS
As on 30 June 1974

Rs Lakhs

Sr. No.	Name of the district	No. of PACS	Existing ST loan business	Existing LT loan business	Average per Society	
					Combined business after take over	Potential business (ST+LT)
1	2	3	4	5	6	7
1.	Ahmedabad	458	2.98	1.18	4.16	3.63
2.	Amreli	390	1.79	1.67	3.47	3.79
3.	Banaskantha ..	597	0.29	1.62	1.91	4.08
4.	Broach	395	3.11	0.77	3.88	2.93
5.	Bhavnagar	546	1.81	1.34	3.15	3.31
6.	Jamnagar	332	1.71	1.84	3.55	4.97
7.	Junagadh	566	2.30	1.67	3.98	3.37
8.	Kaira	701	0.93	0.73	1.66	2.17
9.	Kutch	221	0.34	1.33	1.67	5.82
10.	Mehsana	749	0.86	1.41	2.27	3.16
11.	Panchmahals ..	890	0.38	0.28	0.66	1.14
12.	Rajkot	420	3.82	2.52	6.34	5.49
13.	Sabarkantha ..	469	2.77	1.87	4.64	3.79
14.	Surat ..	350	1.02	0.86	1.88	3.13
15.	Surendranagar	304	4.06	1.77	5.83	5.17
16.	Baroda	685	2.33	1.15	3.48	2.81
17.	Bulsar	233	0.92	1.09	2.01	3.70

Note: Particulars of Dangs and Gandhinagar districts not readily available.

STATEMENT 4

RECOVERY POSITION OF THE PRIMARY AGRICULTURAL CREDIT SOCIETIES IN
GUJARAT AFTER THE ST AND LT BUSINESS IS INTEGRATED

As on 30 June 1974

Sr. No.	Name of the district	Percentage of recoveries to demand		Percentage of recoveries to demand (Integrated Credit) (ST+LT)
		ST	LT	
1	2	3	4	5
1.	Ahmedabad	63	55	62
2.	Amreli	74	65	72
3.	Banaskantha ..	80	70	75
4.	Broach	90	33	88
5.	Bhavnagar ..	73	55	69
6.	Jamnagar	79	32	58
7.	Junagadh	62	68	63
8.	Kaira	79	64	73
9.	Kutch	59	26	38
10.	Mehsana	78	94	80
11.	Panchmahals ..	73	26	60
12.	Rajkot	69	43	62
13.	Sabarkantha ..	70	62	69
14.	Surat ..	63	51	61
15.	Surendranagar ..	76	46	69
16.	Baroda	71	42	67
17.	Bulsar	59	57	59

Note: Particulars of Dangs and Gandhinagar districts not readily available.

HARYANA

General Features

The State of Haryana came into being on 1 November 1966 as a result of the bifurcation of the erstwhile State of Punjab. The state has an area of about 44.2 thousand sq. km. and a population of about 10 million. It is one of the thickly populated states with a density of population of 227 per sq. km. (as against 182 for all-India). Of the total population of 10 million, about 8.2 million (82 per cent) live in rural areas.

2. The state is divided into 11 districts comprising 6,731 villages. Of the total area of the state, about 2.94 lakh hectares (6.7 per cent) comprised uncultivable or fallow land and 1.19 lakh hectares (2.7 per cent) were under forests. The net area sown measured about 35.66 lakh hectares (81 per cent). Of the cropped area at 51.50 lakh hectares, about 30.8 per cent was sown more than once in a year and an area of 13.96 lakh hectares (27 per cent) was covered under high-yielding varieties of foodgrains. The average size of land holdings in the state was 4 hectares and above as against 2.30 hectares for the country as a whole. The size-wise distribution of operational holdings is given in the following table :

TABLE 1

Size of holdings in hectares	No. of holdings (in lakhs)	Percentage to total no. of holdings	Area of holdings (in lakh hectares)	Percentage to total area of holdings
Below 1	.. 2.50	27.4	1.22	3.5
1—2	1.73	19.0	2.49	7.2
2—4	2.05	22.4	5.86	17.0
Above 4	2.85	31.2	24.90	72.3

Source: All-India Report on Agricultural Census, 1970-71.

Agricultural Situation

3. Agriculture occupies the most prominent position in the state's economy. It is the mainstay of more than 80 per cent of the population. After the new state was born, the state government took several important measures to boost up its agricultural economy, which resulted in the state being turned from a deficit state to a surplus state capable of feeding the other states in the country. In the rich and fertile areas of

Karnal-Kurukshetra, intensive efforts through adoption of high-yielding varieties and timely availability of and substantial increase in inputs resulted in raising the per hectare yield of foodgrains significantly. Certain new areas were brought under cultivation, particularly the chronically drought-affected districts of Mahendragarh and Bhiwani, through a series of lift irrigation schemes and tubewells.

4. Between 1967-8 and 1971-2, the agricultural production had increased by 6.7 per cent as against the national average of 4.2 per cent. Being one of the major wheat producing states in the country and the second most prosperous state in India after Punjab, the green revolution had been a great success in the state. Although the rainfall is unevenly distributed, agriculture is well developed in large parts of the state owing to availability of widespread irrigation facilities. The state is also in the forefront of the rural electrification drive in the country. By November 1970, it achieved 100 per cent electrification of its villages. There are 13 lakh cultivators and 4.3 lakh agricultural labourers in the state forming 65.2 per cent of the working force. Of the total cropped area of 51.50 lakh hectares, food crops account for 40 lakh hectares or 78 per cent and non-food crops for the remaining 22 per cent. Among foodgrains, wheat alone accounts for 31 per cent of the gross income generated. Kharif crops like rice, bajra, maize and jowar and non-food crops like cotton, sugarcane, rapeseed and mustard are grown in the state. The cropping pattern is dominated by rabi crops like wheat, gram, etc. The state is surplus in foodgrains. Because of preponderance of large holdings and good irrigation facilities, the progress of farm mechanization is rapid in the state.

5. More than two-thirds of the state's income comes from agriculture and other allied activities as against 50 per cent for the country. The state's economy is more agriculture-oriented than the national average.

Irrigation Facilities

6. Irrigation facilities had been very good in Haryana. The net irrigated area in the state in 1973-4 was 17.36 lakh hectares. Nearly 50 per cent of the gross area sown was covered under irrigation facilities. Canal irrigation accounts for 62 per cent of this area. A major source of water for Haryana is the river Yamuna. The state has also a share in the supplies from the rivers of Punjab, viz., the Sutlej, the Beas and the Ravi. The river Ghaggar with its tributaries and the river Sahibi which pass through the state are also major sources of

irrigation for the state. The area irrigated by canals had increased from 1.3 million ha in 1967-8 to an estimated 1.6 million hectares in 1975-6 through a series of measures including lining of water courses. The other sources of irrigation were wells and tubewells. The number of tubewells/pumping sets increased nearly five times from 38,461 in 1967-8 to 1,68,659 in 1973-4.

7. Although widespread irrigation facilities are available in Karnal, Jind, Hissar and Rohtak districts, the same is not true for Gurgaon and Mahendragarh districts. Further, an additional area of 5.7 lakh ha (in parts of Hissar, Gurgaon, Mahendragarh and Rohtak districts in the desert belt adjoining Rajasthan) still requires irrigation facilities. Recurring droughts and famines are a chronic feature of this desert belt. Besides this, soil erosion and water logging are also a major problem. A new irrigation canal network for uplifting the farmers in this area is under the consideration of the state government.

Groundwater Potential

8. According to the estimates made by the Task Force on Groundwater Resources, the groundwater resources available for further exploitation would be of the order of 1.13 million acre feet. The available groundwater resources would be able to support only a further programme of 84 thousand shallow wells.

9. Significant groundwater development has taken place in the recent past resulting in progressive decline of water table in certain parts, lowering of well yields, etc. Groundwater development should, therefore, be undertaken in future with caution after proper project studies are conducted.

Co-operative Credit Structure

10. The co-operative credit structure in Haryana for short-term and medium-term credit consisted of a state co-operative bank, 12 central co-operative banks and 6,132 primary agricultural credit societies. The Haryana State Co-operative Land Development Bank Ltd. at the state level and 31 primary land development banks at the district and sub-divisional/tehsil levels catered to the long-term requirements of the agriculturists. The financial particulars of the credit agencies functioning in the short-term and long-term wings of the co-operative credit structure as on 30 June 1975 are furnished in Statement 1.

State Co-operative Bank

11. The co-operative agricultural credit in the state is comparatively of recent origin. The state co-operative bank came into existence as a result of the bifurcation of the Punjab State Co-operative Bank Ltd. The bank was registered on 1 November 1966. It has only one office in the state at Chandigarh.. The central co-operative banks, apex co-operative credit institutions and the state government comprised the membership of the bank. The progress made by the bank during the last 3 years ended 30 June 1975 is given below :

TABLE 2

Rs Lakhs

Sr. No.	Particulars	30-6-73	30-6-74	30-6-75
1.	Paid-up capital	202.83	214.33	228.21
2.	Reserves & other funds	124.10	136.25	174.33
3.	Deposits	1,321.08	1,330.55	1,706.28
4.	Borrowings			
	(a) RBI	496.22	466.30	1,180.20
	(b) Others	113.01	271.00	271.78
5.	Loans issued	3,740.96	4,550.65	5,066.98*
6.	Loans and advances outstanding	1,528.73	1,749.15	2,825.41
7.	Overdues	0.73	0.70	0.73
8.	Percentage of recoveries to demand	100.00	100.00	90.90
9.	Profit earned during the year	28.35	47.15	66.88

* Excluding cash credits.

12. As may be seen from the above Table, the bank has made significant progress, particularly in the year 1974-5. The deposits have registered a substantial increase from Rs 1,321.08 lakhs as at the end of June 1973 to Rs 1,706.28 lakhs by the end of June 1975. During the same period, loans issued increased by Rs 1,326.02 lakhs, i.e., by 35 per cent. The most significant aspect of the bank was the recovery of its dues. The bank could make almost cent per cent recovery of the demand during the past 3 years.

Central Co-operative Banks

13. Until March 1973, there were 9 central co-operative banks in the state serving 7 districts, 2 each in Gurgaon and Hissar Districts and one each in the remaining 5 districts. Consequent upon re-organisation and formation of 3 new districts, 3 central co-operative banks, viz., Bhiwani, Kurukshetra and Sonapat were formed on 1 April 1973 to serve all the districts in the state. Sirsa was also subsequently (August 1975) declared as a separate district. The major indicators of the business done by these central banks during the last 3 years are given in Table 3.

TABLE 3

Rs Lakhs

Sr. No.	Particulars	As on 30 June		
		1973	1974	1975
1.	No. of banks	12	12	12
2.	No. of offices	134	132	135
3.	Paid-up capital	570.23	610.66	757.46
4.	Reserves	297.85	334.59	292.26
5.	Borrowings	892.84	1,117.98	1,806.46
6.	Deposits	1,492.81	1,780.78	2,043.44
7.	Working capital	3,481.82	4,319.76	5,644.83
8.	Loans advanced	2,974.52	3,792.41	5,443.32*
9.	Loans and advances outstanding	2,554.29	3,078.06	4,190.88
10.	Overdues	1,155.79 ¹	1,226.30	1,570.48
11.	Percentage of recoveries to demand	68.90	72.00	73.60

*Excluding cash credits.

14. The aggregate position of the banks is that they had made steady progress in deposit mobilisation and loan portfolios. The recovery position of all the banks was fairly satisfactory, except Kurukshetra bank which had recovered less than 60 per cent of its relative demand in respect of ST (Agr.) loans. All the banks had earned profit during the year 1973-4, although the profit earned by Brayne (Rewari), Gurgaon and Mahendragarh banks was nominal (i.e., less than Rs 1 lakh). During the year 1974-5, the profit earned by all the banks was, however, above Rs 2 lakhs in each case. Despite the progress made by the central co-operative banks as revealed from the above table, the performance of the banks cannot be said to be satisfactory.

15. A comparative picture of the business operations of the central co-operative banks in Haryana with their counterparts in the country as a whole as on 30 June 1974 is given below :

TABLE 4

Rs Lakhs

Sr. No.	Particulars	Business done by central co-operative banks	
		Haryana (per bank)	All-India (per bank)
1.	Owned funds	78.77	82.29
2.	Deposits	148.40	210.73
3.	Outstanding borrowings	93.17	149.26
4.	Working capital	359.98	467.67
5.	Loans outstanding (total)	256.51	341.00
6.	Short-term agricultural loans issued (seasonal agricultural operations and marketing of crops)	160.72	222.99

Thus, the magnitude of their business falls short of the average business done by the central co-operative banks in the country as a whole. Further, against a prospective credit potential of Rs 94.74 crores

(estimated on the assumption that 40 per cent of the total credit requirements would be handled by the co-operatives) the central co-operative banks have in all provided credit limits of Rs 41.90 crores so far.

16. For the years 1974 and 1975 (upto September 1975) even though the central co-operative banks had applied for MT limits at Rs 199.54 lakhs and Rs 251.00 lakhs, the Reserve Bank had sanctioned limits of only Rs 15 lakhs and Rs 13 lakhs, respectively. The high level of overdues of medium-term loans and the banks' failure to adhere to the requirements and stipulations laid down by the Reserve Bank have resulted in their obtaining poor limits from the Reserve Bank for medium-term advances.

17. Of the 12 banks, only 3 banks, viz., Gurgaon, Hissar and Bhiwani central co-operative banks were classified as weak banks requiring rehabilitation. Neither a state level co-ordination committee nor a rehabilitation cell at the state co-operative bank level has been constituted and the progress of rehabilitation has not been satisfactory.

Primary Agricultural Credit Societies

18. The co-operative credit structure in the state at the base level is, relatively speaking, weak. Out of 6,132 primary agricultural credit societies in the state as on 30 June 1975, 155 societies were dormant. Though the societies covered nearly all the villages in the state, their total membership at 7.55 lakhs covered only 45.7 per cent of the 16.53 lakhs cultivating families. The total borrowing members at 4.39 lakhs formed 58.1 per cent of the total membership and only 26.56 per cent of the cultivating families.

19. As on 30 June 1974, as many as 2,273 societies (34 per cent) worked at a loss and 456 societies worked on a 'no profit--no loss' basis during the year 1973-4. Certain data relating to the working of the primary agricultural credit societies in the state are given in the table below :

TABLE 5

Sr. No.	Particulars	Total for all societies	Position for 1973-4 (Average per society)	
			Haryana	All-India
1.	Membership	7.41 lakhs	118	227
2.	Paid-up share capital	Rs 705.45 lakhs	Rs 11,258	Rs 17,623
3.	Working capital	Rs 3,678.20 lakhs	Rs 58,701	Rs 1,02,743
4.	Loans issued	Rs 2,983.69 lakhs	Rs 47,617	Rs 49,276
5.	Loans advanced per borrowing member	—	Rs 804	Rs 581
6.	Loans outstanding	Rs 2,677.94 lakhs	Rs 42,738	Rs 68,590

20. With an average loan business of Rs 47,617 per society, most of the societies continued to be non-viable. The paid-up share capital and working capital per society in the state was also much below the average per society at all-India level. Only 1,797 societies were reported to have full-time paid secretaries. The average membership per society worked out to 118 as against the all-India average of 227.

21. The short-term credit potential for the state is estimated at about Rs 8,830 lakhs. To meet this credit potential, each society will have to issue loans to the extent of Rs 1.44 lakhs assuming that the existing number of societies is kept unaltered at 6,132. Against this, the average lending per society was very low at Rs 0.48 lakh. On the basis of viability criteria suggested by the RBI, the number of societies that could be retained is 4400. According to the scheme of merger and amalgamation of non-viable societies recently completed in the state, about 2138 societies have been retained.

22. One farmers' service society was registered at Bhiwani on 8 February 1974. Four more such societies have since been registered in the state.

Long-term Credit Structure

23. The long-term credit structure in the state consisted of the Haryana State Co-operative Land Development Bank and 31 primary land development banks. The long-term credit wing played an important role in the development of the state's agricultural economy. Haryana is one of the states which has utilised the assistance of the ARDC substantially and ranks fourth in the country in availing of this assistance.

24. The state co-operative land development bank like the apex co-operative bank came into being after the re-organisation of the erstwhile Punjab State in November 1966. The bank's share capital rose from Rs 20.87 lakhs in 1966-7 to Rs 261.07 lakhs as on 30 June 1975. The loans outstanding against farmers at Rs 166.26 lakhs as on 30 June 1967 rose phenomenally to Rs 4,273.12 lakhs as on 30 June 1975. The recovery performance of the SLDB has been consistently very good. The working results of the land development banks in the state are given in Table 6.

25. While loans under the normal schemes of the land development bank were progressively declining from year to year, those under the ARDC/IDA schemes had recorded steady increases. The increases in

TABLE 6

TABLE 6					Rs Lakhs		
Sr. No.	Particulars				1972-73	1973-74	1974-75
SLDB							
1.	Paid-up capital	..	..	..	236.54	252.96	261.07
2.	Debentures	..	..	..	3,764.01	4,581.60	5,440.39
3.	Loans disbursed	..	..	..	831.32	787.61	1,129.72
4.	Loans outstanding	..	..	..	3,184.96	3,589.51	4,215.08
5.	Percentage of recoveries to demand				100.00	100.00	100.00
6.	Overdues	..	..	..	Nil	Nil	Nil
PLDB							
1.	No. of members	..	..	..	83,527	94,492	1,07,443
2.	Paid-up capital	..	..	..	241.15	291.00	355.29
3.	Loans disbursed	..	..	..	1,218.80	925.69	1,352.59
4.	Loans outstanding	..	..	..	3,210.22	3,630.50	4,273.12
5.	Percentage of recoveries to demand				99.72	99.44	97.70
6.	Overdues	..	..	..	1.90	3.05	15.92

the loan business were mainly under minor irrigation. In groundwater exploitation, a saturation point had nearly been reached in many parts of the state with the result that the LDB would soon face the problem of dwindling business unless diversification of loan business was attempted seriously. The PLDB were prohibited from granting loans for tube-wells in 29 blocks of the state on account of over-exploitation of groundwater. The SLDB has started making efforts towards this direction by formulating schemes for sprinkler irrigation, dairy development, etc., but the progress is very slow.

26. At the primary level, the membership had increased from 84 thousands in 1972-3 to 107 thousands in 1974-5. As at the end of the year 1974-5, the membership of PLDB (at 107 thousands) covered 6.5 per cent of rural households and 24.4 per cent of the borrowing membership of the primary agricultural credit societies in the short-term wing. The paid-up capital rose from Rs 241.15 lakhs to Rs 355.29 lakhs. All the 29 banks in the state qualified for unrestricted lending programme and refinance during the year 1975-6 on the basis of their overdues position as on 30 June 1975. All these banks are also considered viable as their loans outstanding were above the minimum level of Rs 35 lakhs.

ARDC Schemes

27. As on 30 June 1975, the ARDC had sanctioned 98 schemes for implementation through the SLDB, commercial banks and the state

co-operative bank involving a total financial assistance of Rs 88.06 crores. The total disbursements upto 30 June 1975 amounted to Rs 41.53 crores. Out of 96 schemes, 39 schemes were sanctioned to the SLDB, involving a financial assistance of Rs 56.64 crores, the disbursement thereunder being Rs 38.30 crores. As against a phasing for drawal of refinance at Rs 32.58 crores upto 30 June 1975, the SLDB could avail of the refinance facility to the extent of Rs 29.19 crores. Their performance in drawal of funds was much better than that of commercial banks. As against a phasing for drawal of refinance at Rs 20.41 crores upto 30 June 1975, the commercial banks could avail of the refinance facility only to the extent of Rs 12.33 crores.

Viability of Societies

28. The viability of the societies and recovery position after integration of business are indicated in Statements 2 and 3, respectively.

Secretariat of the Committee
Bombay

21 April 1976

STATEMENT 1

FINANCIAL AND OTHER PARTICULARS RELATING TO THE CO-OPERATIVE CREDIT INSTITUTIONS IN HARYANA
AS ON 30 JUNE 1975

Rs Lakhs														Percent- tage of recoveries to demand
Sr. No.	Type of institutions	No. of institu- tions	No. of bran- ches	Paid-up capital	Statu- tory reserve	Other reserves	Deposits	Borrow- ings	Working capital	Invest- ments	Loans out- standing	Demand during the year	Over- dues	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1.	State Co-operative Bank	1	--	228.21	37.60	136.73	1706.28	1451.98	3727.62	302.79	2825.41	811.11	0.73	99.9
2.	Central Co-operative Banks	12	135	757.46	92.15	200.11	2043.44	1806.46	5644.83	305.95	4190.88	5952.29	1570.48	73.6
3.	Primary Agricultu- ral Credit Societies	6132	---	806.20	14.97	31.18	97.32	3291.84	4616.36	543.39	3459.86	4380.84	1472.19	66.0
4.	State Co-operative Land Development Bank	1		261.07	22.09	41.01	16.54	5440.93	5954.09	1460.11	4215.08	770.92	Nil	100.0
5.	Primary Land Deve- lopment Banks ..	31	---	355.29	8.02	18.46	9.77	4199.78	4870.59	193.34	4273.12	676.95	15.92	97.7

STATEWISE ANALYSIS: HARYANA

STATEMENT 2

VIABILITY OF PRIMARY AGRICULTURAL CREDIT SOCIETIES
AFTER INTEGRATION OF ST AND LT BUSINESS IN HARYANA

As on 30 June 1975

Rs Lakhs

Sr. No.	Name of the District	No. of PACS	Average per Society			
			Existing ST Loan Business	Existing LT Loan Business	Combined Business	Potential Business (ST+LT)
1	2	3	4	5	6	7
1.	Ambala	946	0.53	0.52	1.06	2.36
2.	Bhiwani	441	0.54	0.51	1.04	7.99
3.	Gurgaon	1005	0.34	0.51	0.85	3.01
4.	Hissar	902	0.86	0.90	1.76	10.90
5.	Jind	353	0.26	0.99	1.25	8.31
6.	Karnal	495	0.81	1.10	1.91	7.30
7.	Kurukshetra	589	0.87	0.95	1.81	5.92
8.	Mahendragarh	543	0.54	0.72	1.25	3.82
9.	Rohtak	494	0.34	0.27	0.61	6.99
10.	Sonepat	364	0.38	0.62	1.00	5.97

NB: In regard to Sirsa district information is not readily available.

STATEMENT 3

RECOVERY POSITION OF PRIMARY AGRICULTURAL CREDIT SOCIETIES IN
HARYANA AFTER THE ST AND LT BUSINESS IS INTEGRATED

As on 30 June 1975

Sr. No.	Name of the District	Percentage of recoveries to demand		Percentage of recoveries to demand (Integrated Credit) (ST+LT)
		ST	LT	
1.	2	3	4	5
1.	Ambala ..	62	98	66
2.	Bhiwani ..	63	99	77
3.	Gurgaon ..	68	99	72
4.	Hissar	65	96	70
5.	Jind	65	99	73
6.	Kurukshetra ..	57	98	60
7.	Mahendragarh	76	99	79
8.	Rohtak ..	77	99	80
9.	Sonepat	72	97	76

NB.: In regard to Karnal and Sirsa districts information is not readily available.

KARNATAKA

General Features

Karnataka State, known till 1 November 1973 as Mysore State was constituted on 1 November 1956 under the States' Reorganisation Act. It is the sixth largest state in the Indian Union covering an area of 1,92,204 sq. km. In terms of population (312 lakhs according to mid-1974 estimate), the state ranks eighth in the Indian Union. The density of population was lower at 163 as against national average of 182. Physiographically, the state can be divided into four regions, coastal region—a narrow coastal plain between ghat edge and the Arabian Sea, Malnad region—a hilly country lying east of the ghat edge, northern plateau and southern plateau. The state has been divided into 19 districts. The total number of villages is 29,533 out of which 26,382 were inhabited. The rural population of the state is 236 lakhs forming 75.7 per cent of the total population.

Agricultural Situation

2. Agriculturally, the coastal region consisting of two districts—North Kanara and South Kanara—is the most advanced region. This region which accounts for only about 3 per cent of the total cultivated area of the state, is endowed with plentiful precipitation and hence has one-third of the net sown area under irrigation. As a result, this region is free from the cycle of droughts prevailing in other regions of the state. The two regions comprising north interior Karnataka and south interior Karnataka which, respectively, accounts for 59 per cent and 38 per cent of the total net sown area in the state, constitute the dry farming zone and are exposed to frequent droughts. A major difference between these two regions was that while one-fourth of the net sown area in the south had irrigation facilities, the north had only 5.5 per cent of the net sown area under irrigation. The other region, i.e., Malnad region consists mostly of forests and hills; coffee and, to a lesser extent, other crops such as tea on higher elevations and rubber on lower elevations are grown in a few places on the ghats.

3. The development trends in the economy and the income of the state revealed that about 60 per cent of the state income was generated from agriculture. In 1970-71, out of the total state income of Rs 1,497 crores, agriculture contributed Rs 896 crores. The state has 4.1 million cultivators and 2.7 million agricultural labourers, their shares in the total working force accounting for 39.7 per cent and 25.1 per cent,

respectively. Thus, about 65 per cent of the total working force of the state is engaged in agriculture. Karnataka is one of the southern states having large potential for plantation crops. Producing 75 per cent of the country's total coffee output, 45 per cent of cardamom and 36 per cent of arecanut, Karnataka dominated in the production of these items. Within the country, the state ranked first in the production of ragi and second in jowar. One-fourth of the state income generated in agricultural sector is derived from rice alone. Within the country, the state accounted for six per cent of total rice production. The state is surplus in cereals but deficit in pulses. It also ranked fourth in the production of tobacco and dry chillies among all the states. Other important cash crops were sugarcane, groundnut and cotton.

4. Like other parts of the country, the preponderance of marginal holdings (below 1 hectare) is noticed in Karnataka also. About 30 per cent of the total holdings in the size group of below 1 hectare accounted for hardly 5.5 per cent of the total area. Holdings between 1 and 2 hectares formed 23.7 per cent of the total holdings, accounting for about 11 per cent of the total area of holdings. The latest available data relating to the distribution pattern of land holdings are given in the table below :

TABLE 1

Size of holdings (in hectares)				No. of holdings (in lakhs)	Percentage to total No. of holdings	Area of holdings (in lakh hectares)	Percentage to total area of holdings
Below 1	..	..	..	10.81	30.4	5.49	4.8
1 — 2	..	..	..	8.40	23.7	12.21	10.7
2 — 5	..	..	..	9.90	27.9	30.98	27.3
Above 5	..	..	..	6.40	18.0	65.00	57.2

Source: All-India Report on Agricultural Census, 1970-71

Irrigation Facilities and Groundwater Potential

5. The western ghats running parallel to the sea, divide the state into two distinct parts: the narrow coastal strip in the west and the plateau in the east. The coastal region and the mountainous range receive copious rains which, unfortunately, run off into the sea. On the other hand, the plateau region with inadequate rainfall and poor irrigation is drought-prone. On an average, Karnataka receives 104 cm (41 inches) of rainfall, mainly from the south-west monsoon. The precipitation in the coastal region averages 334 cm. (131 inches). About

two-thirds of the net sown area falls under the low rainfall region (below 75 cm. or 30 inches), one-fourth under the medium rainfall region (75 cm. to 115 cm. or 30 to 45 inches) and less than one-tenth under the high rainfall region (above 115 cm. or 45 inches).

6. The Irrigation Commission (1972) has identified 88 taluks in 12 districts as drought-affected. These taluks together account for about half the state's total area and population. No other state in the country has such a high proportion of drought-affected area. The two major rivers of the country, the Krishna and the Cauvery form the lifeline of Karnataka, in that more than three-fourths of the total drainage area of the state falls in the basins of these two rivers. Hardly 11 per cent (11 lakh hectares) of the net sown area (113.68 lakh hectares) in the state was irrigated as compared to the national average of 22 per cent. The major sources of irrigation in the state are canals, tanks and wells. The above sources, respectively, account for 4.66 lakh hectares (42 per cent), 3.28 lakh hectares (30 per cent) and 1.97 lakh hectares (18 per cent) of the total irrigated area.

7. According to the estimates made by the Task Force on Groundwater Resources the annual recharge of groundwater in the state is 16.6 million acre feet. Making allowance for evapo-transpiration and sub-surface run-off losses upto 40 per cent, the net groundwater recharge has been estimated at 10 million acre feet. Considering the existing draft of about 1.96 million acre feet, groundwater potential which can be tapped is estimated to be of the order of 8.4 million acre feet. The available groundwater resources would be able to support a programme of about 7 lakh wells which are likely to irrigate a further 10 lakh hectares.

8. The ultimate irrigation potential from surface as well as sub-soil water has been assessed by the Irrigation Commission (1972) at 34 lakh hectares, which are equivalent to 33 per cent of the net sown area. However, for various reasons, the irrigation facilities in the state have remained rather inadequate. The surface water irrigation facilities created through major and medium projects are also not fully utilised; in 1974-5, the use of surface water was placed at 74 per cent as against the all-India average of 81 per cent.

Co-operative Credit Structure

9. Co-operative credit in Karnataka had its beginnings in the early years of this century in the area of the old Mysore State. It has witnessed many structural changes since then. As is the case in most

parts of the country, the co-operative credit structure in the state has two wings, a three-tier one for short-term and medium-term credit and a two-tier one for long-term credit. The former consisted of the state co-operative bank at the apex level, 19 central co-operative banks at the district level and 8292 primary agricultural credit societies. The long-term credit structure which is federal in character, comprised one state land development bank and 176 primary banks. The financial particulars of the co-operative credit agencies functioning in the short-term and long-term wings of the co-operative credit structure as on 30 June 1975 are given in Statement 1.

State Co-operative Bank

10. The Karnataka State Co-operative Apex Bank Ltd. was originally registered as the Mysore Provincial Co-operative Apex Bank in 1915. As on 30 June 1975, its membership consisted of 70 co-operative banks inclusive of 19 central co-operative banks and the state government. Apart from the head office it had 8 branches. The progress made by the bank during the last 3 years ended 30 June 1975 is given below :

TABLE 2

Rs Lakhs

Sr. No.	Particulars	As at the end of June		
		1973	1974	1975
1.	Share capital	338.02	346.08	360.36
2.	Reserves and other funds	450.48	473.56	540.00
3.	Deposits	1765.76	2257.64	2692.60
4.	Borrowings (Total) ..	2122.75	2570.00	2710.93
	Of which,			
	(a) From Reserve Bank of India	1695.99	2131.02	2482.42
	(b) Others	426.76	438.98	228.51
5.	Investments	781.59	887.26	970.28
6.	Loans outstanding	3846.81	4594.87	5307.27
7.	Advances during the year	7586.08	8492.82	8145.67
8.	Overdues (Total)	48.60	317.03	260.11
9.	Percentage of recoveries to demand during the year	99.0	99.4	96.0
10.	Profit	24.99	43.23	50.79

11. In the last three years the bank witnessed a significant progress in mobilising deposits and expansion of loan portfolio; the deposits recording a phenomenal growth of about 52 per cent or Rs 926.84 lakhs at the end of June 1975 over the year 1972-3. Loans and advances

outstanding at Rs 5307.27 lakhs at the end of June 1975 exceeded the total outstandings at Rs 2,710.93 lakhs under borrowings from various financial institutions by Rs 2,596.34 lakhs contributing to lesser reliance on borrowed funds. Its recovery performance over the last 3 years was also good.

12. The loan policies and procedures followed by the bank were generally in accordance with the banking norms prescribed by the Reserve Bank of India.

Central Co-operative Banks

13. The total number of central co-operative banks as on 30 June 1975 stood at 39 which included 20 industrial co-operative banks. Thus, 19 central co-operative banks (one for each district), with a network of 373 branches, were entrusted with the main task of meeting credit requirements of agriculture, while industrial co-operative banks provided assistance to small-scale and cottage industries. According to the accepted norms of viability, 17 banks were considered viable. The major indicators of business done by the central co-operative banks till 30 June 1975 are given in the following table:

TABLE 3

Sr. No.	Particulars	Rs Lakhs		
		As at the end of June		
		1973	1974	1975
1.	No. of banks	19	19	19
2.	No. of offices (including HO)	356	374	392
3.	Paid-up capital	1310.62	1431.69	1534.85
4.	Reserves	455.63	497.52	554.35
5.	Deposits	4208.75	4491.90	5091.14
6.	Borrowings	3509.94	3606.23	5158.56
7.	Loans and advances outstanding	7770.27	8343.06	9676.34
8.	Overdues	2290.57	2291.82	2426.77
9.	Percentage of recoveries to demand ..	60.2	65.0	67.7

14. The aggregate overdues of the central co-operative banks in absolute terms increased from Rs 22.91 crores as on 30 June 1973 to Rs 24.27 crores as at the end of June 1975. The percentage of recoveries to demand ranged between 40 and 49 in the case of five banks,

while the same was 50 to 60 in the case of 4 banks. This had a crippling effect on the co-operative credit movement.

15. Out of 19 banks in the State, 7 banks, viz., Kolar, Tumkur, Karnataka, Chitradurga, Bangalore, Gulbarga and Bellary had been identified as weak and were under a rehabilitation programme. Of these, 4 banks, viz., Bangalore, Chitradurga, Tumkur and Kolar had been included in the central sector scheme of rehabilitation.

16. The total deposits of the central banks showed an increase of Rs 882.39 lakhs from Rs 4208.75 lakhs as on 30 June 1973 to Rs 5091.14 lakhs as on 30 June 1975 which accounted for 20.9 per cent. The deposits from individuals as on 30 June 1974 constituted only 48.8 per cent of the total deposits. The percentage of these deposits to the total deposits in the case of 7 banks was very low ranging between 23 and 33.

17. Comparative averages in respect of some aspects of the business operations of the central co-operative banks in Karnataka *vis-a-vis* the country as a whole as on 30 June 1974 are set out in the following table :

TABLE 4

Rs Lakhs

Sr. No.	Particulars	Central Co-operative Banks (As at the end of June 1974)	
		Karnataka	All-India
1.	Owned funds	101.54	82.29
2.	Deposits	236.42	210.73
3.	Outstanding borrowings	189.80	149.26
4.	Working capital	550.88	467.67
5.	Loans outstanding (Total)	439.06	341.00
6.	Short-term agricultural loans issued (Seasonal agricultural operations and marketing of crops)	221.36	222.99
7.	Loans issued in kind	20.66	46.92

Primary Agricultural Credit Societies

18. As on 30 June 1975, there were 8292 primary agricultural credit societies in the state of which 826 societies (10.0 per cent) were dormant, and 451 (5.43 per cent) were having unlimited liability. The societies covered 91 per cent of the villages, but their total membership at 23.41 lakhs formed only about 61 per cent of rural households. The effective

or borrowing membership was only 7.38 lakhs constituting 32 per cent of the total membership or less than one-fourth of the rural households. The membership per society stood at 282.

19. Major indicators of the trend and progress in the working of the societies are given below :

TABLE 5

Rs Lakhs

Sr. No.	Particulars	As at the end of June		
		1973	1974	1975
1.	No. of societies	8,290	8,309	8,292
2.	Of which, dormant	1,000	896	826
3.	Membership (in thousands)	2,045	2,168	2,341
4.	No. of borrowing members (in thousands)	720	699	738
5.	Paid-up capital	1,707.23	1,930.37	2,146.76
6.	Owned funds	2,368.20	2,655.40	2,982.78
7.	Deposits	392.46	453.06	569.41
8.	Borrowings	5,873.63	6,269.49	7,131.51
9.	Loans outstanding	6,672.91	7,075.68	8,030.25
10.	Overdues	3,079.96	3,082.20	3,403.50

During 1974-5, 4,627 societies handled distribution of farm requisites such as seeds, fertilisers, pesticides, implements, etc., amounting to Rs 2,504.39 lakhs. Paid secretaries on full-time basis were employed by 6,323 societies; 566 had part-time and 1,403 honorary secretaries. The societies which incurred losses numbered 3,148.

20. Credit business of the societies in Karnataka compared favourably with all-India averages as may be seen from the table below :

TABLE 6

Sr. No.	Particulars	Position for 1973-4 (Average per society)	
		Karnataka	All-India
1.	Membership	261	227
2.	Borrowing membership	83	85
3.	Working capital (Rs)	1,25,986	1,02,743
4.	Loans advanced (Rs)	98,318	49,276
5.	Loans advanced per borrowing member (Rs)	716	581

However, only less than ten per cent of the societies (714) had reached loan business of Rs 2 lakhs. This is largely due to poor membership and credit coverage. Scales of finance fixed by the societies are also not adequate.

21. The credit potential for co-operatives in the state had been estimated at Rs 156 crores. On the basis of a minimum loaning business of Rs 2 lakhs for attaining viability, at the most only 7,800 societies could be retained. About 125 to 150 sericulture societies and 22 farmers service societies are eventually to be organized in the state particularly in Mysore, Bangalore, Kolar, Mandya and Tumkur districts.

22. Taking into account the reduction in the number of societies that may be required and the organization of farmers' service societies and sericulture societies with wider areas of operations, the RBI had suggested that in the state as a whole there should not be more than 7,000 societies functioning at base level.

23. The overdues at the primary level continued to account for over 40 per cent of the demand over a period of three years ended June 1974. The reasons for high level of overdues could be attributed to ineffective and inadequate supervision, slackness in the recovery drive and slow progress in the disposal of arbitration and execution cases. Out of the total short-term agricultural loans outstanding at Rs 5,262 lakhs as on 30 June 1974, outstandings against small and economically weak farmers at Rs 2,043 lakhs accounted for 38.8 per cent.

Long-term Credit Structure

24. As stated earlier the state had a federal structure for long-term lending. The Karnataka (formerly Mysore) State Co-operative Land Development Bank, set up on 25 November 1929 and one of the oldest land development banks in the country, has 19 district offices, i.e., one office for each district. The working results of the SLDB for the last 3 years are given in the following table :

TABLE 7

Sr. No.	Particulars	Rs Lakhs		
		As at the end of June		
		1973	1974	1975
1.	Paid-up capital	627.56	728.43	805.37
2.	Reserves and other funds	135.76	222.21	290.89
3.	Debentures outstanding	7,048.58	8,463.50	9,525.56
4.	Working capital	8,126.35	9,852.43	11,320.07
5.	Loans disbursed during the year	1,603.56	1,415.72	1,865.84
6.	Loans outstanding	6,235.27	7,057.71	8,192.68
7.	Overdues	167.58	153.04	263.19
8.	Profit	48.37	76.69	105.03
9.	Percentage of recoveries to demand	67.20	77.28	69.68

25. The bank has taken a major responsibility in meeting the credit needs of the agriculturists in the state for investment purposes. Its role as a long-term credit agency became significant in recent years under agricultural development programmes refinanced by ARDC. In 1972-3, the bank occupied the seventh place in the country in availing of ARDC assistance; as of to-day, it has improved to fifth place. The increasing trend of overdues was a disquieting feature of its working. The percentage of recoveries to demand declined from 78 as at the end of June 1972 to 67 at the end of June 1973 but subsequently improved marginally to 69.7 at the end of June 1975.

Primary Land Development Banks

26. The 176 primary banks had a membership of 646 thousands. In terms of coverage, this membership formed 18 per cent of rural households and 28 per cent of the membership of primary agricultural credit societies. Certain data relating to the functioning of the primary banks are presented below :

TABLE 8

Rs Lakhs

Sr. No.	Particulars	As at the end of June		
		1973	1974	1975
1.	No. of PLDB	175	175	176
2.	Membership	4,34,823	4,44,624	6,45,680
3.	Paid-up capital	576.13	760.56	946.18
4.	Working capital	7,246.83	8,440.51	8,931.71
5.	Loans advanced during the year	1,615.78	1,547.29	1,591.09
6.	Loans outstanding	6,051.83	7,000.67	7,913.68
7.	Percentage of recoveries to demand	53.41	60.70	65.69
8.	Overdues	405.27	379.31	634.28

27. The working of the primary land development banks during the last three years ended June 1975 had been marked by an increase in overdues from Rs 405.27 lakhs as at the end of June 1973 to Rs 634.28 lakhs at the end of June 1975. Although the overall recovery performance has shown slight improvement, the percentage of recoveries to demand in respect of as many as 64 (36 per cent) banks was below 55 during 1974-5. In 1973-4 as many as 80 banks (45 per cent) incurred losses. The number of primary banks which required

rehabilitation had gone up from 11 to 43. A large number of primary banks in the North Kanara region was weak.

28. One of the major difficulties faced by the banks relates to security. In terms of Section 33 of the Karnataka Co-operative Societies Act, 1959, the cultivator is not allowed to create mortgage on his land already charged as security for short-term loans. As a result, cultivators experience difficulties in getting the charge created in favour of short-term credit agencies vacated. This is operating as a handicap to farmers desirous of availing themselves of loan assistance under ARDC schemes.

29. As regards the recovery performance, it would be seen from the following data that the performance of many primary banks in recovering dues was not satisfactory during 1974-5.

TABLE 9

Recoveries as percentage to demand				No. of PLDB
75 per cent or over	..	..	..	92
65 per cent to 75 per cent	..	..	..	20
55 per cent to 65 per cent	..	..	..	35
45 per cent to 55 per cent	..	..	..	16
Below 45 per cent	..	..	..	13
Total				176

30. Out of 176 primary banks, 112 banks (64 per cent) were eligible for unrestricted lending programme. Out of these about three-fourths qualified for unrestricted lending without government contribution to share capital upto 10 per cent of demand. The remaining 63 banks had restricted lending and one bank was disqualified for any lending programme since its recovery performance was below 30 per cent.

ARDC Schemes

31. As on 30 June 1975, the ARDC had sanctioned 220 schemes involving a total financial assistance of Rs 9,616 lakhs for implementation through the SLDB, commercial banks and the state co-operative bank. SLDB accounted for Rs 7,204 lakhs constituting 75 per cent of the total programme under 54 schemes. As against the expected drawal of refinance assistance of Rs 6,102 lakhs from the ARDC, SLDB's drawal amounted to Rs 3,021 lakhs. This formed about 50 per cent of the

expected drawal; the all-India position was 69.5 per cent. The slow offtake of funds pointed to the need for vigorous efforts in implementation of projects.

Viability of Societies

32. The viability of societies after integration is indicated in Statement 2. The recovery position at the primary level after the business is integrated is also presented in Statement 3.

Secretariat of the Committee

Bombay

12 April 1976

Sr. No.	Type of institutions	No. of institutions	No. of branches	Paid-up capital	Statutory reserve	Other reserves	Deposits	Borrowings	Working capital	Investments	Loans outstanding	Overdues	Demand during the year	Percentage of recoveries to demand
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1.	State co-operative bank	1	9	360.36	151.78	388.22	2692.60	2710.93	6411.91	970.28	5307.27	260.11	6384.74	96.0
2.	District central co-operative bank	19	373	1534.85	214.85	339.50	5091.14	5158.56	12338.80	743.96	9676.34	2426.77	7503.82	67.7
3.	Primary agricultural credit societies	8292	—	2146.76	399.52	436.52	569.41	7131.51	12812.13	1332.09	8030.25	3403.50	8945.33	62.0
4.	Central land development bank	1	19	805.37	132.19	158.70	119.75	9525.56	11320.07	2730.57	8192.68	263.19	867.96	69.7
5.	Primary land development banks	176	—	946.18	35.85	78.85	100.87	7847.45	8931.71	524.17	7913.68	634.28	1848.45	65.7

STATEMENT 2

VIABILITY OF PRIMARY AGRICULTURAL CREDIT SOCIETIES
AFTER INTEGRATION OF SHORT-TERM AND LONG-TERM BUSINESS IN KARNATAKA

As on 30 June 1974

Rs Lakhs

Sr. No.	Name of the district	No. of PACS	Average per society			
			Existing ST Loan business	Existing LT Loan business	Combined business	Potential business (ST+LT)
1	2	3	4	5	6	7
1.	Bangalore ..	566	0.51	0.85	1.36	3.12
2.	Belgaum	647	1.26	0.60	1.86	3.82
3.	Bellary	435	0.86	0.89	1.75	3.74
4.	Bidar	295	1.98	1.19	3.17	4.14
5.	Bijapur	646	0.88	1.14	2.02	4.22
6.	Chickmagalur	185	0.71	1.93	2.64	4.80
7.	Chitradurga..	361	0.59	1.67	2.26	4.73
8.	Coorg	174	1.66	0.77	2.43	3.34
9.	Dharwar	765	0.88	0.62	1.50	3.28
10.	Gulbarga	569	0.74	0.74	1.48	4.00
11.	Hassan	329	1.04	0.64	1.68	4.11
12.	Kolar	415	0.60	1.44	2.04	4.42
13.	Mandya	362	1.49	0.89	2.38	3.27
14.	Mysore	590	0.78	0.73	1.51	2.54
15.	North Kanara	218	1.57	0.76	2.33	3.38
16.	Raichur	557	0.56	1.14	1.70	5.29
17.	Shimoga	330	1.28	1.30	2.58	5.30
18.	Tumkur	538	0.56	0.90	1.46	2.95

Note: Information in respect of South Kanara district is not readily available.

STATEMENT 3

RECOVERY POSITION OF PRIMARY AGRICULTURAL CREDIT SOCIETIES IN KARNATAKA
AFTER THE SHORT-TERM AND LONG-TERM BUSINESS IS INTEGRATED

As on 30 June 1974

Sr. No.	Name of the district	Percentage of recoveries to demand		Percentage of recoveries to demand (Integrated Credit) (ST + LT)
		ST	LT	
1	2	3	4	5
1.	Bangalore	44	71	46
2.	Belgaum	32	65	35
3.	Bellary	34	49	36
4.	Bidar	69	34	54
5.	Bijapur	57	63	58
6.	Chickmagalur ..	65	84	67
7.	Coorg	78	82	78
8.	Dharwar	60	78	61
9.	Gulbarga	37	56	39
10.	Hassan ..	70	76	70
11.	Kolar	66	61	63
12.	Mandya	83	82	83
13.	Mysore	51	69	52
14.	North Kanara ..	74	88	74
15.	Raichur	40	45	42
16.	Shimoga ..	64	71	65
17.	South Kanara ..	79	80	79
18.	Tumkur	50	69	53

Note: Information in respect of Chitradurga district is not readily available.

KERALA

General Features

Kerala is one of the smallest states in India. It is surrounded by Karnataka State in the north, Tamil Nadu in the east and south and by the Arabian Sea in the west. It is the most densely populated and one of the very few highly literate states of India. It covers an area of 38,864 sq. kms. and its population as per 1971 census was 2.13 crores. The density of population was 549 per sq. km.—the highest in the country as compared to 182 for the country as a whole. The percentage of rural population in 1,635 villages of the state to total population was 83.8 as against 80.1 in the whole of India. The state has been divided into 11 districts and 57 talukas.

Agricultural Situation

2. Among all the states, it has the highest per hectare gross agricultural income, a considerable part of which is derived from valuable cash crops. Agriculture is the major sector which provides employment to 49 per cent of its working population and contributes 58 per cent to the state's income. Among all the states, the proportion of agricultural population to the total working force is the lowest in Kerala while the proportion of agricultural labourers in the agricultural population is the highest.

3. The most outstanding aspect of Kerala's cropping pattern is the predominance of non-foodgrains, particularly plantation crops. Non-foodgrains account for as much as 76 per cent of the gross value of agricultural production in the state while foodgrains, mainly rice, account for only 19 per cent. Though rice is the most important crop, the major plantation crops of this state like coconut, arecanut, rubber, black pepper, tea, coffee and cardamom occupy an important place in the Kerala's cropping pattern.

4. Mainly because of the increasing dominance of non-foodgrain crops in the farming pattern, Kerala is a chronically food-deficit state. Of the total area, 56 per cent is under cultivation, 27 per cent is covered with forests and 9 per cent is not available for cultivation. Thus, there is only very marginal scope for bringing additional area under the plough. On the other hand, there is a heavy pressure of population on the land due to assured rainfall. One-third of the total net sown area

is cultivated more than once. This proportion is double that of all-India average.

5. The mounting pressure of population on the land in the state has resulted in fragmentation and sub-division of the holdings. The average size of holding was as small as 0.7 hectare which was the smallest for the country as a whole. The data in respect of size of holdings are given in the following Table :

TABLE 1

Size of holdings (in ha)					No. of holdings (in lakhs)	Percentage to total No. of holdings	Area of holdings (in lakh ha)	Percentage to total area of holdings
Below 1	..	..	..	..	18.80	81.6	5.39	33.8
1-2	..	..	..	..	2.68	11.6	3.65	22.9
2-4	..	..	..	..	1.26	5.5	3.39	21.3
Above 4	..	..	..	..	0.31	1.3	3.50	22.0

Source: All-India Report on Agricultural Census, 1970-71

Agricultural holdings of less than 1 hectare in size formed 82 per cent of the total number of holdings in the state, with average holding working out to less than 0.7 hectare. With a view to improving the economic conditions of the rural poor, Cannanore and Quilon districts had been selected for the centrally sponsored schemes of Small Farmers Development Agency as well as Marginal Farmers and Agricultural Labourers Agency. The schemes envisage a provision of financial assistance to 56,000 small farmers and 25,000 marginal farmers. Recently Trivandrum and Trichur districts have also been selected as SFDA districts.

Irrigation Facilities and Groundwater Potential

6. Among all the states, Kerala receives the highest rainfall, the average being 267 cm. (105 inches) mainly from the south-west monsoon and has never known a drought. The most important river is the 229 km. long Periyar. The other important rivers are the Muvattupuzha, the Meenachil and the Pampa. These rivers provide great scope for power generation.

7. Kerala is the only state which is surplus in power and its supplies the surplus power to the neighbouring states like Tamil Nadu and

Karnataka. The Idukki Project located in the high ranges of Periyar near Ernakulam has a power house with 390 MW generating capacity. The other Project, viz., Sabarigiri, has a generating capacity of 300 MW.

8. The state possesses an ultimate irrigation potential of 1.5 million hectares, of which one-third had been utilised through various irrigation works till 1966-7. At present, the major projects, viz., the Parambikulam, Aliyar and Malampuzha in Palghat district and 11 medium projects are under operation and they irrigate about 173 thousand hectares of land. In addition, four major and three medium projects are under execution. On completion, they will create additional irrigation potential of 281 thousand hectares. At present 19 per cent of the net sown area (2,187 thousand hectares) benefits from irrigation facilities. Canals and tanks are major sources of irrigation. About 80 per cent of the gross irrigated area is under paddy.

9. A systematic quantitative assessment of groundwater has not been made so far in the state. The state government has, however, prepared a plan for such an assessment. The studies conducted by the Geological Survey of India covering an area of 1035 sq. km. in Alleppey district have indicated that shallow aquifers exist within 3 to 5 metres of ground surface and that appreciable amount of water could be drawn from depths ranging upto 122 metres. As per the estimates of Irrigation Commission, of the total 11 million acre feet of water brought in by rains and possible recharge due to canal infiltration about 50 per cent is lost by evapo-transpiration and sub-surface run-off and the remaining 5.4 million acre feet of water is available for annual groundwater recharge.

Co-operative Credit Structure

10. The co-operative credit structure in Kerala for short-term and medium-term consists of a state co-operative bank, 11 district central co-operative banks and 1731 primary agricultural credit societies. The Kerala Central Land Development Bank at the state-level and 30* primary banks at the district level cater to the long-term requirements of the agriculturists. The financial particulars of the credit agencies functioning in the short-term and the long-term wings of the co-operative credit structure as on 30 June 1975 are furnished in Statement 1.

*28 as on 30 June 1975

State Co-operative Bank

11. The Kerala State Co-operative Bank Ltd., Trivandrum, was registered as Trivandrum Central Co-operative Bank in 1915. The State Co-operative Bank emerged in its present form in 1956 after three re-organisations, the last on account of the Re-organization of Indian States. The bank was included in the Second Schedule to the RBI Act, 1934, in July 1966. It functions as the apex co-operative bank of the state and as on 30 June 1975, its membership consisted of 11 central co-operative banks and the state government. Apart from the head office, it has 4 branches. The bank was granted a licence to carry on banking business on 6 April 1972 by the Reserve Bank of India. The progress made by the bank during the last 3 years ended 30 June 1975 is given below :

TABLE 2

Sr. No.	Particulars	Rs Lakhs		
		As at the end of June		
		1973	1974	1975
1.	Paid-up capital	173.68	182.65	197.66
2.	Reserves and other funds	181.40	220.99	241.75
3.	Deposits	683.23	869.04	1,050.77
4.	Borrowings	1,775.09	1,610.90	1,656.40
5.	Loans issued	2,912.09	3,523.24	3,524.91
6.	Loans and advances outstanding	2,401.08	2,456.39	2,661.86
7.	Overdues (Total)	10.84	2.73	3.59
8.	Percentage of recoveries to demand during the year	99.0	99.9	99.9
9.	Profit earned during the year	29.47	24.73	27.37

12. During the three year period, deposits of the bank had increased by Rs 367.54 lakhs. The overdues of the bank had decreased from Rs 10.84 lakhs as on 30 June 1973 to Rs 3.59 lakhs as on 30 June 1975 indicating a good recovery performance. The loan policy and procedures were generally in accordance with banking norms prescribed by the Reserve Bank of India.

Central Co-operative Banks

13. The number of central co-operative banks stood at 11 as on 30 June 1975 and they had a total number of 115 branches. A table

17. A comparative position of short-term agricultural loans outstanding in respect of all the 11 central co-operative banks in the state as at the end of June 1975 is given below :

TABLE 5

Rs Lakhs

Sr. No.	Name of the bank	Short-term agricultural loans outstanding Last Friday of June		
		1973	1974	1975
1.	Alleppey	202.42	243.79	254.54
2.	Cannanore	320.51	317.03	313.54
3.	Ernakulam	339.91	227.39	200.92
4.	Idukki	—	204.04	197.62
5.	Kottayam	276.96	139.47	112.28
6.	Malabar	354.01	347.00	334.67
7.	Malappuram	229.85	250.79	260.84
8.	Palghat	221.08	261.19	294.61
9.	Quilon	388.31	369.63	377.49
10.	Trichur	523.68	498.02	450.12
11.	Trivandrum	195.48	199.57	201.39

18. It may be added here that on a suggestion made by the Government of Kerala, the Reserve Bank had appointed a study team in December 1972 with Dr. C. D. Datey, Executive Director, Reserve Bank of India as Chairman, to examine the justification for continuance of central co-operative banks in Kerala with reference to their financial position and organisational arrangements and the feasibility of the state co-operative bank directly financing the agricultural credit societies as a transitional arrangement to fill up the credit gaps.

19. The team observed as follows :

‘The major disadvantages of the two-tier system would be that a smaller part of the deposit liabilities would be available for lending than what would be available under the three-tier system. Above all there would be no local involvement in projecting the demand for, and ensuring the supply of credit and other services. The positive role that could be played by the directors of central banks, by virtue of their local knowledge, influence and interest in deposit mobilisation, recovery of loans and extension of credit support to agriculture was the main justification for continued existence of the middle tier.’

20. The team also found that the Kerala State Co-operative Bank was not organizationally equipped to immediately step in and take up the responsibility of direct financing in such a large area. The report of the

study also revealed certain defects and deficiencies in matters relating to the grant of credit, the recovery performance and deposit mobilisation by the central co-operative banks in the state. The team had recommended that a period of 5 years should be allowed to central banks to improve their working and if any particular bank had not taken the corrective measures and had failed to register adequate progress, it should be considered for amalgamation with the state co-operative bank.

21. The review of progress in the past three years had shown that the banks had still to go a long way to satisfy the minimum standard specified by the team. The credit support extended by all the central co-operative banks put together was only Rs 24 crores in 1971-2 as against the estimated credit requirements of the members of the societies at Rs 114 crores. The study team had recommended that by the end of 1977-8 each central bank should meet atleast 50 per cent of its share of credit requirement of members of societies for the cropped area in 75 per cent of the blocks of the districts, at the same time maintaining in the remaining 25 per cent of the block, the same level of lending as in 1971-2.

22. Another important observation of the study team was that there was a maldistribution of funds as between different crops and there was considerable over-financing of crops such as banana, tapioca, coconut and arecanut. The team also urged that vigorous efforts were required in the field of mobilization of deposits.

Primary Agricultural Credit Societies

23. As on 30 June 1975, there were 1731 primary agricultural credit societies in Kerala covering all the 1635 villages. Their total membership at 21.14 lakhs formed about 56.4 per cent of the total number of rural households. The effective or borrowing membership was 10 lakhs which formed about 26.7 per cent of the rural households.

24. Certain major indicators of the progress in the working of the societies are given in Table 6.

25. One of the most distinguishing features of the societies in Kerala is their success in mobilizing rural savings by way of deposits. The total deposits held by the societies at Rs 2092 lakhs as on 30 June 1975 exceeded the total deposits mobilized from sources other than co-operatives by the central co-operative banks and the state co-operative

TABLE 6

Sr. No.	Particulars	Rs Lakhs		
		1972-3	1973-4	1974-5
1.	No. of societies	1,867	1,848	1,731
2.	Of which, dormant	282	193	126
3.	Membership (in thousands)	1,894	1,995	2,114
4.	No. of borrowing members (in thousands)	910	948	1,000
5.	Paid-up capital	1,287	1,378	1,418
6.	Owned funds	1,746	1,877	1,910
7.	Deposits	1,271	1,697	2,092
8.	Borrowings	3,703	3,792	4,110
9.	Loans issued	4,091	4,454	4,960
10.	Loans outstanding	4,626	5,270	5,499
11.	Overdues	1,644	1,880	2,534

bank together amounting to Rs 1706 lakhs. The deposits of the PACS would have sizeably increased during the 1975-6 under the programme of intensive deposit mobilization launched by the state government in April 1976. Of the total short-term agricultural loans outstanding at Rs 4,449* lakhs as on 30 June 1975, Rs 1,797 lakhs or 40.4 per cent were against small and economically weak farmers, commensurate with the large proportion of such farmers in the state. Compared to all-India standards, the societies in Kerala had shown impressive progress as may be seen from the following averages :

TABLE 7

Sr. No.	Particulars	1973-4	
		Kerala	All-India
1.	Average membership per society	1150	227
2.	Number of borrowing members per society	444	85
3.	Working capital per society (Rs)	3,98,500	1,02,743
4.	Loans advanced per society (Rs)	2,72,000	49,276
5.	Loans advanced per borrowing member (Rs)	450	581

While the average loans business was about 5 times the all-India average, the average loan per borrowing member was less than the all-India average on account of the preponderance of small farmers.

26. Although the above data would portray a fairly complacent picture of the primary agricultural credit societies in Kerala, there existed certain imbalances in their growth also. Only 809 societies had loan outstanding exceeding Rs 2 lakhs as on 30 June 1975, while 922 societies or more than half had loans of less than Rs 2 lakhs which were below the

*Includes cash credits, break-up of which was not available.

minimum viability level. As many as 368 societies or about 21 per cent of the total number of societies had loan outstandings of less than Rs 50 thousands and 207 societies or about 12 per cent had loan outstandings between Rs 50 thousands and Rs 1 lakh each. The state average was high on account of the larger business of 18 rural banks and a few large-sized service co-operative banks. This imbalance can be attributed to two reasons: (a) the inadequate progress in re-organization of the societies and (b) certain restrictive features in the lending policies, as discussed below.

27. Under the re-organization programme, the state was expected to retain only 1,600 societies but the progress in the implementation of the programme was unsatisfactory till 1973-4. However, during 1974-5 there appeared to be better progress when the number had been brought down from 1848 to 1731. Over 500 societies continued to have mutually overlapping areas of operations. Recently, a specially constituted committee has recommended the conversion of about 168 societies as farmers' service societies (banks).

28. There were certain restrictive features in the lending policies which impeded the growth of the societies. In certain districts the individual maximum borrowing power remained as low as Rs 1000 or Rs 500. In certain others, mortgage security was insisted on for loans exceeding Rs 1000. Thus although members had credit eligibility and the institutions had the resources base and borrowing power, the growth in business was restricted on account of such reasons.

Long-term Credit Structure

29. In contrast to the 'above average' performance of the short-term credit wing in Kerala, the performance of the long-term wing in the state was unimpressive and far from being commensurate with the large development potential in the sphere of agriculture in the state and the cultivators' adaptability to improved agricultural techniques.

30. As stated earlier, the long-term credit wing in the state is federal in character consisting of the Kerala Co-operative Central Land Mortgage Bank and primary land development banks. The central land development bank was formed in 1956 by the re-organisation of the erstwhile Travancore Credit Bank. The Cochin Co-operative Land Mortgage Bank and certain primary land mortgage banks in the Malabar area which belonged to the composite Madras State were affiliated to it. Although the central land mortgage bank was formed

in 1956, in the Travancore area, primary banks were organised only after 1960 and till that time the central land mortgage bank was issuing long-term loans directly to individual borrowers. Certain major indicators of the working of the central land mortgage bank are given below :

TABLE 8

Rs Lakhs

Sr. No.	Particulars	As at the end of June		
		1973	1974	1975
SLDB				
1.	Paid-up capital	89.64	98.64	100.31
2.	Debentures (outstanding)	1,284.12	1,628.17	1,916.68
3.	Loans disbursed during the year	283.36	333.12	346.36
4.	Loans outstanding	1,183.10	1,439.84	1,675.04
5.	Percentage of recoveries to demand	65.4	60.8	80.7
6.	Overdues	29.04	36.38	48.92

31. The central land mortgage bank had not introduced certain disciplines and technical methods in regard to long-term lending as had been done by other state land development banks in the country. The lending programmes of the primary banks were not fixed in relation to any proper estimates of the agricultural development potential and the schemes sanctioned in that regard. The programmes of the primary banks were fixed on the basis of the previous year's actual performance in lending, providing for an *ad hoc* rate of increase. The state land mortgage bank had also not laid down minimum qualifying acreages for various types of farm investment credit. The bank had not built up technical personnel in any real sense till recently and for purposes of valuation and other technical guidance, it was almost completely depending upon the government staff. Although the land development banks were required to issue atleast 70 per cent of their loans for identifiable productive purposes, the banks in Kerala could not satisfy this requirement. The Reserve Bank has allowed since January 1970, as a special case, that advances for such purposes should be atleast 30 per cent of the total lendings. Even this could not be achieved in the state.

32. As a result of the bank's inability to provide sizeable amounts of loans for identifiable productive purposes, the ordinary debenture programme of Rs 280 lakhs fixed for 1974-5 could not be achieved. The banks could not float debentures to the full extent. The bank had not been able to float any rural debentures during the last two years.

Primary Land Mortgage Banks (PLMB)

33. As indicated earlier, there were 28 primary land mortgage banks functioning in the state as at the end of June 1975. While some of these banks had jurisdiction extending over one or more taluks, certain banks (for example in Ernakulam and Palghat) had the entire districts as their areas of operation. Recently, there was a proposal to organise new banks more or less on taluk basis but pending clearance by the Reserve Bank of India, the organization of new banks had been kept in abeyance. Some of the newly organized banks have also not been allowed to start business. Certain data relating to the functioning of the primary land mortgage banks are given below:

TABLE 9

Rs. Lakhs

Sr. No.	Particulars	As at the end of June		
		1973	1974	1975
PLMB				
1.	No. of members	76,998	93,745	1,11,554
2.	Paid-up capital	85.31	105.55	122.20
3.	Loans disbursed during the year	295.03	329.75	346.34
4.	Loans outstanding	1,187.06	1,450.36	1,689.80
5.	Percentage of recoveries to demand	57.7	54.2	72.5
6.	Overdues	40.35	56.22	77.92

34. The primary banks were granting loans for composite purposes generally for a uniform period of 15 years without relating the period to the repaying capacity of the borrowers based on incremental income. There was no system of ensuring that loans for purchase and installation of pumpsets were disbursed directly to the authorised dealers by means of cheques.

35. As far as recovery performance is concerned as may be observed from the data given below, the performance of the land mortgage banks in recovering instalmentals was fairly satisfactory.

TABLE 10

Recoveries as percentage to demand		No. of PLMB	
75 per cent or over ..		19	(including 5 new banks)
65 per cent to 75 per cent	.. ..	3	
55 per cent to 65 per cent	.. ..	4	
45 per cent to 55 per cent	.. ..	1	
Not reported .. ..	.. ..	1	
Total		28	

Out of 27 reporting banks, 22 banks (81 per cent) were eligible for unrestricted lending programme. Of these, nearly two-thirds would qualify for unrestricted lending even without government contribution to share capital upto 10 per cent of demand. The remaining 5 banks would have restricted lending.

ARDC Schemes

36. The state of Kerala had not taken advantage of ARDC's facilities to any significant extent. As on 30 June 1975, the ARDC had sanctioned 99 schemes involving a total financial outlay of Rs 1769 lakhs for implementation through the land development banks, commercial banks and the state co-operative bank. Of these, 26 schemes amounting to Rs 865 lakhs were sanctioned for implementation through the land development banks. ARDC's commitment in respect of these schemes amounted to Rs 661 lakhs. As against the expected drawals of Rs 324 lakhs from the ARDC, only Rs 199 lakhs had been drawn upto 30 June 1975. This indicated the inability of the land development banks to implement the programmes with speed.

Viability of Societies

37. The viability of societies after business integration is indicated in Statement 2. The recovery position at the primary level after the business is integrated is also given in Statement 3.

Secretariat of the Committee
Bombay

2 April 1976

STATEMENT 1
FINANCIAL AND OTHER PARTICULARS RELATING TO CO-OPERATIVE CREDIT INSTITUTIONS IN KERALA
AS ON 30 JUNE 1975

Rs Lakhs														
Sr. No.	Type of institutions	No. of institutions	No. of branches	Paid-up capital	Statutory reserve	Other reserves	Deposits	Borrowings	Working capital	Investments	Loans outstanding	Over-dues	Demand during the year	Percentage of recoveries to demand
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1.	State co-operative bank	1	4	197.66	194.46	47.29	1050.77	1656.40	3138.25	394.35	2661.86	3.59	3308.27	99.89
2.	District central co-operative banks	11	115	901.58	59.89	214.20	3117.63	2326.90	6881.10	729.10	5274.60	1392.06	4302.52	67.60
3.	Primary agricultural credit societies	1731	Nil	1418.27		491.73	2092.02	4109.75	8779.80	734.46@	5499.26	2533.53	N.A.	46.07*
4.	Central land development bank	1	3	100.31	15.55	45.47	6.56	2116.16	2284.05	558.47	1675.04	48.92	253.40	80.70
5.	Primary land development banks	28	8	122.20		24.64	—	1667.38	1813.72	66.62	1689.80	77.92	283.13	72.48

STATEMENT 2

VIABILITY OF PRIMARY AGRICULTURAL CREDIT SOCIETIES AFTER INTEGRATION
OF ST AND LT BUSINESS IN KERALA

As ON 30 JUNE 1975			Rs Lakhs			
Sr. No.	Name of the district	No. of PACS	Average per Society			
			Existing ST loan business	Existing LT loan business	Combined business	Potential business (ST+LT)
1	2	3	4	5	6	7
1.	Trivandrum	134	1.68	1.35	3.03	12.15
2.	Quilon	206	2.57	0.77	3.35	8.01
3.	Alleppey	257	1.71	0.46	2.17	5.26
4.	Kottayam ..	187	2.96	0.84	3.80	7.64
5.	Idukki	63	5.43	2.36	7.79	12.81
6.	Ernakulam ..	178	3.21	0.34	3.55	5.42
7.	Trichur	171	3.86	1.18	5.04	8.69
8.	Palghat	95	7.04	1.08	8.12	20.68
9.	Malappuram	110	3.04	0.30	3.64	8.72
10.	Kozhikode ..	127	4.23	1.33	5.56	11.73
11.	Cannanore ..	206	3.48	1.74	5.22	10.80

STATEMENT 3

RECOVERY POSITION OF PRIMARY AGRICULTURAL CREDIT SOCIETIES IN KERALA AFTER THE
ST AND LT BUSINESS IS INTEGRATED

As on 30 JUNE 1975

Sr. No.	Name of the district				Percentage of recoveries to demand		Percentage of recoveries to demand (integrated credit) (ST + LT)
					ST	LT	
1	2				3	4	5
1.	Trivandrum				73	78	74
2.	Quilon				67	65	67
3.	Alleppey ..				64	74	65
4.	Kottayam				82	72	82
5.	Ernakulam				67	81	67
6.	Trichur				48	81	49
7.	Palghat				79	63	79
8.	Malappuram				66	78	66
9.	Kozhikode				68	69	68
10.	Cannanore				75	67	75

Note: In regard to Idukki district information is not readily available.

MADHYA PRADESH

General Features

The State of Madhya Pradesh was formed in 1956 by integration of Mahakoshal, Chhatisgarh, Madhya Bharat, Vindhya Pradesh, Bhopal and part of Sheoganj Tehsil in Rajasthan. It is bound by Uttar Pradesh in the north, Bihar in the north-east, Orissa in the east, Maharashtra in the south, Gujarat and Rajasthan in the west and is the largest state in the country covering an area of 442,841 sq. km. It is sparsely populated; the total population is about 42 million with density working out to only 94 sq. km. as against the all-India average of 182. The rural population of the state is 35 million forming 83.7 per cent of the total population.

Agricultural Situation

2. The overall agricultural growth rate of the state is handicapped by certain factors, natural and others, which tend to keep the demand for production credit low and make the development of institutional credit difficult. One-third of the total area of the state is under forests and a considerable part of the rest is hilly terrain which makes communication difficult. In the tribal areas, agriculture is backward and is carried on at subsistence level.

3. Of the total cropped area of about 21.2 million hectares, 81 per cent is covered by food crops and the remaining 19 per cent by non-food crops as compared with 74 per cent and 26 per cent, respectively for the country as a whole. The net sown area is about 18.6 million hectares accounting for 41 per cent of the total area of the state and thus a high proportion of land is not under cultivation. Among food crops, the cropping pattern is dominated by rice, wheat, jowar, gram and tur while ground-nut, rape-seed, mustard and oil seeds form the commercial crops. Like other parts of the country, the preponderance of small/marginal holdings (below 2 hectares) is noticed in Madhya Pradesh also. About 49 per cent of the holdings in size group of below 2 hectares accounted for hardly 9.6 per cent of the total cropped area. The pattern of land holdings in the state may be seen from Table 1.

Irrigation Facilities

4. In respect of irrigation facilities, the state ranks almost at the bottom amongst the states in the country. Ninetytwo per cent of the

TABLE 1

Size of holdings (in ha)	No. of holdings (in lakhs)	Percentage to total number of holdings	Area of holdings (in lakh ha)	Percentage to total area of holdings
Below 2 hectares	25.74	48.6	20.35	9.6
2 to 10 hectares	22.33	42.1	104.37	49.3
Over 10 hectares	4.92	9.3	87.22	41.1

Source: All-India Report on Agricultural Census, 1970-71

net sown area depends on monsoon and this is also responsible for the slow growth of agriculture in the state. Although the proportion of irrigated area to total cropped area for the state as a whole was about 8 per cent, it was even less at 1 per cent in the tribal districts. Of the 45 districts in the state, irrigation facilities were fairly good and were above the national average in only 4 districts—Balaghat, Tikamgarh, Gwalior and Raipur. The main sources of water are canals (46 per cent), wells (38 per cent), tanks (9 per cent) and others (7 per cent).

5. Although the irrigation potential in the state is 8 million hectares, only 1.5 million hectares were utilised through irrigation works by the end of 1970-71. If the state's vast irrigation potential is tapped properly and quickly, it could easily become the granary of India. Currently two major irrigation projects are being developed, viz., Chambal adjoining the Rajasthan border and Tawa on the Narmada River where the dam is getting completed. These two Projects will benefit three districts of the state.

Co-operative Credit Structure

6. The short-term co-operative credit structure in the state consists of Madhya Pradesh State Co-operative Bank, 43 central co-operative banks and 9818 primary agricultural credit societies. Until 1961, the long-term needs of farmers were met by the apex co-operative bank through the central co-operative banks in the Mahakoshal region of the state. Four independent primary banks were functioning in the districts of Jabalpur, Raipur, Narsinghpur and Khandwa. In the erst-

while states of Madhya Bharat, Vindhya Pradesh and Bhopal, there were no arrangements for provision of long-term credit. With the establishment of Madhya Pradesh State Co-operative Land Mortgage Bank Ltd., in March 1961, the scheme of organising primary land development banks gained momentum and culminated in the formation of 16 banks in 1961-2. Twentythree more banks were organised in the following years and as on 30 June 1975, there were 45 primary land development banks.

7. The financial particulars of the credit agencies functioning in the short-term and long-term wings of the co-operative credit structure as on 30 June 1975 are given in Statement 1.

State Co-operative Bank

8. The bank was formed in 1958 by the amalgamation of the two erst-while apex co-operative banks in the Mahakoshal and the Madhya Bharat. The central co-operative banks, state level co-operative institutions and the state government, besides individual members numbering 69, comprised the membership of the bank. Certain major indicators of the progress made by the bank during the last 3 years ended 1974-5 are given below :

TABLE 2

Sr. No.	Particulars	Rs Lakhs		
		30-6-1973	30-6-1974	30-6-1975
1.	Paid-up capital	448.29	475.35	527.31
2.	Reserves & other funds	624.12	701.28	751.78
3.	Deposits	1426.28	1514.72	1800.78
4.	Borrowings	4520.79	4034.35	4393.88
5.	Loans outstanding	5724.08	5702.88	6330.60
6.	Overdues	235.01	188.79	39.38
7.	Percentage of recoveries to demand	95.0	95.5	99.0
8.	Profit earned during the year	44.22	39.86	46.46

9. The loans and advances of the bank are predominantly for agricultural purposes. It is yet to play an active role in the matter of non-

agricultural finance particularly financing of processing societies and individual societies.

10. The overdues of the bank decreased from Rs 235.01 lakhs as on 30 June 1973 to Rs 188.79 lakhs as on 30 June 1974 and formed 4.5 per cent of the demand for the year 1973-4. The composition of the overdues of the bank revealed that, by and large, the major components of the overdues were short-term and medium-term taccavi loans which were disbursed by the government direct and were subsequently transferred to the co-operative banks. The state government had since converted the old taccavi loans into long-term deposits and the apex bank had given effect to such conversion from January 1975 and as a result the bulk of the overdues as on 31 December 1974 had since been wiped out. The overdues as on 30 June 1975 were Rs 39.38 lakhs and formed less than 1 per cent of demand.

11. The loan policies and procedures pursued by the bank were generally in accordance with the banking norms prescribed by the Reserve Bank of India.

12. The bank is associated with the rehabilitation programme of the weak central co-operative banks and has been entrusted with the management of superseded central co-operative banks.

Central Co-operative Banks

13. The number of central co-operative banks which had stood at 56 in 1956-7 had been reduced during the last decade through a programme of rationalisation. The 45 districts in the state are now being served by 43 central co-operative banks. A new central co-operative bank registered in Rajnandgaon district, one of the two districts newly carved out, has started functioning from 27 September 1975. The financial particulars of the 43 central co-operative banks in the state since 30 June 1973 are given in Table 3.

14. There were 11 central co-operative banks in the state which were identified as weak and were under rehabilitation. For each of them, a programme of rehabilitation was got prepared by the apex bank. Besides these, there were 9 central co-operative banks whose committee of management stood superseded and their management was entrusted to the apex bank.

15. A disquieting feature in the operations of the central co-operative banks in the state was the increasing trend of their overdues. The total

TABLE 3

Sr. No.	Particulars	Rs Lakhs		
		As on 30 June		
		1973	1974	1975
1. No. of co-operative banks ..		43	43	43
2. Paid-up capital		1630.36	1741.21	1825.75
3. Reserves		620.36	732.31	878.84
4. Deposits		3293.49	3739.26	4409.01
5. Borrowings		5210.60	5029.10	5132.75
6. Loans and advances outstanding		9606.71	9826.26	10371.46
7. Overdues		3709.64	4271.24	4460.51
8. Percentage of recoveries to demand ..		58.5	56.0	59.0

overdues increased from Rs 37.10 crores as on 30 June 1973 to Rs 44.61 crores as on 30 June 1975. The overdues constituted 41.0 per cent of demand as on 30 June 1975 as against 44.0 per cent as on 30 June 1974.

16. In the case of 15 central co-operative banks, there was a progressive increase in the amount of overdues since 30 June 1973. While crop failure accounts for the deterioration in many districts in recent years, the other reasons for heavy overdues are inadequate and ineffective supervision, delay in passing on recoveries at the society level to the central banks, lack of prompt action against wilful defaulters and general slackness in the efforts to recover loans.

17. At the instance of the Government of India, the Reserve Bank of India has appointed a study team to examine *inter alia* the institutional arrangements for provision of agricultural credit and the soundness of the credit structure and suggest measures for ensuring its efficient working. The work of the team has been completed and the report has since been submitted. Besides recommending measures to strengthen the co-operative credit institutions both financially and administratively, the team has suggested the integration of the two wings of the credit structure in six districts, of which, four are predominantly tribal districts. The base level organisation best suited to meet the requirements of tribals is a multipurpose co-operative society which should not only dispense all types of credit including long-term credit for agriculture but also undertake supply of inputs, marketing of the members' produce and supply of consumer goods and offer technical guidance, etc.

Primary Agricultural Credit Societies

18. All the inhabited villages numbering 70,883 were served by 9818 primary agricultural credit societies at the end of June 1975 and practically there was no village which was not covered by an agricultural credit society. Their membership was 23 lakhs and nearly 7.44 lakhs were borrowing members indicating a fair coverage of members. Their working capital stood at Rs 140.34 crores while deposits aggregated only Rs 6.42 crores. The total loans outstanding stood at Rs 106.69 crores as on 30 June 1975. The overdues as on 30 June 1975 amounted to Rs 57.38 crores and formed 48.4 per cent of demand. While 6379 societies had full-time secretaries, 3439 had part-time secretaries. Further, 7859 societies (80 per cent) had worked at a profit, 1825 worked at a loss and 134 societies worked at 'no profit no loss' during 1974-5.

19. Even after reorganisation, when the total number of societies were reduced from about 17,322 at the end of 1965-6 to 9818 at the end of June, 1975 the societies continued to be uneconomic units. The following table indicates the slow progress made in increasing their business :

TABLE 4

	Average per society		
	1972-73	1973-74	1974-75
Loans issued (Rs)	56,478	57,567	66,537
Loans outstanding (Rs)	98,393	1,06,036	1,08,664

20. The number of societies that could be justified on the basis of viability criterion, i.e., at the rate of Rs 2 lakhs loan business per society, would be between 6,500 and 7,000 as against 9,818 societies existing as on 30 June 1975. A fresh re-organisation programme has been chalked out to recommend the retention of only such societies which are well-managed, conveniently located and which would not only provide credit to the cultivator but also agricultural and other supplies, technical guidance and marketing intelligence required by the cultivator.

21. The credit requirements of the state on the basis of the present status of irrigation are assessed at Rs 275 crores and it is expected that the societies will be called upon to meet at least 50 per cent of these credit requirements. This challenge cannot be met unless the societies

improve their recoveries and are restructured to function as economic units.

22. The government has also proposed to form farmers' service societies (FSS) and large-sized multipurpose societies (LAMPS) in the tribal area by liquidation of existing non-viable primary agricultural credit societies or amalgamating them with the existing societies which were proposed to be retained. So far, 28 FSS have been organised in non-tribal areas by amalgamation of 128 PACS and 550 LAMPS have been organised by amalgamation of 1952 PACS.

Long-term Credit Structure

23. As indicated earlier, the Madhya Pradesh State Co-operative Land Development Bank came into being only in August 1961, with the entire state as its area of operation. The central land development bank operates through primary banks which have been established in all the districts of the state.

24. Agriculture in the state is witnessing increasing responsiveness to improved techniques with the result that the demand for production and investment credit is steadily increasing. As a consequence, there has been a steady increase in the loans issued by the bank especially since 1965-6. The loans outstanding which were Rs 4.47 crores as at the end of 1965-6 rose upto Rs 34.90 crores as at the end of 1972-3 and further to Rs 54.10 crores as at the end of 1974-5. This was made possible through a number of special schemes for agricultural development taken up for implementation with refinance facilities from Agricultural Refinance and Development Corporation.

25. An unsatisfactory feature of the long-term credit structure in the state is the existence of heavy overdues, both at the primary and the apex levels. During 1970-71 and 1971-2 the percentage of overdues to demand in the case of the central land development bank was more than 37; the position has been fluctuating during the subsequent years, viz., 1972-3 and 1973-4, when the percentage was 19 and 26, respectively. However, the position had improved only marginally during 1974-5 when as on 30 June 1975 the percentage was 24.3.

Primary Land Development Banks

26. There are 45 primary banks at present serving the 45 districts in the state, including the 2 newly formed districts. The primary banks

are operating through branches opened at the tehsil headquarters and in a few cases at the block level. As at the end of June 1975, there were 202 branches, i.e., an average of 5 branches per bank. The primary banks had a weak financial base and the average paid-up share capital per bank worked out to Rs 13 lakhs only. They suffer from operational weaknesses including heavy overdues, the percentage of which had been varying between 36 and 49 during the last 5 years. They do not have adequate staff for undertaking various functions such as appraisal of loan proposals, supervision, verification and utilisation of loans, recovery work, etc. In order to provide the primary banks with the services of qualified and trained officers, the apex institution had set up a common cadre of officers comprising 35 managers and 63 assistant managers.

27. The loan programme and achievements in respect of long-term loans (normal) issued by the land development banks in the state during the three years from 1972-3 to 1974-5 are indicated in the table below:

TABLE 5

Year	Rs Lakhs	
	Programme fixed for primary land development banks	Achievement (reimbursement by the state land development banks)
1972-73..	729.15	659.14
1973-74..	1075.00	704.70
1974-75.. ..	777.75	505.76

The wide gap between the programme fixed and the amount of loans disbursed indicates the need for a greater effort on the part of the banks to increase their loan business and also partly the unrealistic nature of the loan programme.

28. On the basis of field study undertaken by the Committee on Co-operative Land Development Banks, it was revealed that out of 43 banks, 9 were viable, 16 banks were likely to reach viable status by June 1976 and the remaining 18 banks had no prospects of reaching viability. The recovery position of PLDB was so unsatisfactory in the year 1974-5 that only 11 out of 43 banks were eligible to draw unlimited funds under ARDC/ACD debenture support programmes during the current year (1975-6). Another 15 PLDB will get unrestricted eligibility after

receipt of the State Government's share capital contribution upto 10 per cent of the overdues. The remaining 17 banks can draw restricted funds varying between 50 per cent and 80 per cent of their previous year's lending. These banks can play a useful role in the agricultural development programme now under execution only after their financial position is improved considerably and adequate and trained staff posted to manage them.

ARDC Schemes

29. As on 30 June 1975, the ARDC had sanctioned 197 schemes for implementation through commercial banks, state co-operative bank and the SLDB involving a total financial assistance of Rs 9931 lakhs, the Corporation's commitment thereof being Rs 8848 lakhs. The disbursements by these banks under these schemes amounted to Rs 3448 lakhs. Out of a total of 197 schemes, 86 were sanctioned to the SLDB, involving a financial assistance of Rs 6154 lakhs, the disbursements thereunder being Rs 2576 lakhs.

Viability of Societies

30. The viability of societies after business integration is indicated in Statement 2. The recovery position at the primary level after the business is integrated is also given in Statement 3.

Secretariat of the Committee
Bombay

23 January 1976

STATEMENT 1

FINANCIAL AND OTHER PARTICULARS RELATING TO CO-OPERATIVE CREDIT INSTITUTIONS IN MADHYA PRADESH
AS ON 30 JUNE 1975

Rs Lakhs

Sr. No.	Type of institutions	No. of Institutions	No. of branches	Paid-up capital	Statutory reserve	Other reserves	Deposits	Borrowings	Working capital	Investments	Loans outstanding	Overdues	Demand during the year	Percentage of recoveries to demand
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1.	State Co-operative bank	1	9	527.31	132.15	619.63	1800.78	4393.88	7802.70	925.91	6330.60	39.38	3986.82	99.0
2.	District central co-operative banks	43	628	1825.75	295.44	583.40	4409.01	5132.75	12246.35	873.69	10371.46	4460.51	10737.55	59.0
3.	Primary agricultural credit societies	9818	—	2435.00	559.39	391.12	641.90	10006.80	14034.21	1391.70	10668.70	5738.32	11856.25	51.6
4.	Central land development bank	1	8	386.01	30.65	52.08	19.99	6385.39	6874.13	1304.81	5409.56	210.30	967.27	75.7
5.	Primary land development banks	45	202	600.00	9.51	27.72	179.40	5397.41	6220.04	212.88	5682.16	428.24	1184.86	63.9

STATEMENT 2

VIABILITY OF PRIMARY AGRICULTURAL CREDIT SOCIETIES AFTER INTEGRATION
OF ST AND LT BUSINESS IN MADHYA PRADESH

As on 30 JUNE 1975

Rs Lakhs

Sr. No.	District	No. of PACS	Average per Society			
			Existing business		Combined business	Potential business
			ST	LT	(ST+LT)	
1	2	3	4	5	6	7
1.	Jabalpur	334	0.48	0.35	0.83	2.15
2.	Narsinghpur	110	1.95	1.21	3.16	8.12
3.	Balaghat	280	0.90	0.18	1.08	2.29
4.	Seoni	153	1.03	0.50	1.53	5.02
5.	Chhindwara	172	2.32	1.84	4.16	7.45
6.	Mandla	136	0.81	0.14	0.95	4.25
7.	Damoh	125	1.51	0.53	2.04	2.89
8.	Sagar	232	0.93	0.95	1.88	3.79
9.	Raipur	593	1.58	0.33	1.91	3.33
10.	Bastar	364	0.27	0.05	0.32	2.57
11.	Durg/Rajnandgaon	652	0.82	0.16	0.98	2.49
12.	Bilaspur	715	0.75	0.16	0.91	2.16
13.	Raigarh	375	0.40	0.10	0.50	2.17
14.	Surguja	414	0.16	0.20	0.36	2.57
15.	Rewa	227	0.44	0.38	0.82	3.03
16.	Sidhi	228	0.23	0.14	0.37	2.58
17.	Satna	197	0.74	0.62	1.36	3.20
18.	Panna	101	0.81	0.52	1.33	3.46
19.	Chhattarpur	157	1.01	0.59	1.60	4.42
20.	Tikamgarh	135	0.94	0.83	1.77	4.70
21.	Dhar	229	1.40	0.63	2.03	4.56
22.	Shahdol	258	0.21	0.12	0.33	3.01
23.	Indore	128	2.68	1.81	4.49	5.21
24.	Jhabua	183	0.59	0.16	0.75	3.27
25.	Khandwa	222	1.74	0.48	2.22	3.46
26.	Khargone	282	1.65	0.68	2.33	7.06
27.	Dewas	111	2.29	1.96	4.25	6.79
28.	Mandsaur	183	2.36	0.78	3.14	6.67
29.	Ratlam	105	2.07	2.95	5.02	9.16
30.	Ujjain	183	2.26	1.37	3.63	7.73
31.	Shajapur	146	2.17	0.94	3.11	6.29
32.	Bhopal/Schore	194	1.30	1.68	2.98	6.02
33.	Betul	142	0.86	0.69	1.55	5.42
34.	Hoshangabad	172	0.69	0.75	1.44	6.49
35.	Raisen	155	1.04	1.45	2.49	1.90
36.	Rajgarh	155	0.94	0.56	1.50	5.05
37.	Vidisha	171	1.85	0.66	2.51	6.14
38.	Bhind	199	2.17	0.72	2.89	4.77
39.	Datia	60	0.77	0.63	1.40	3.75
40.	Guna	184	1.19	0.86	2.05	5.88
41.	Gwalior	108	1.98	1.16	3.14	5.93
42.	Morena	238	1.08	0.40	1.48	4.01
43.	Shivpuri	164	1.02	1.00	2.02	4.36

STATEMENT 3

RECOVERY POSITION OF PRIMARY AGRICULTURAL CREDIT SOCIETIES IN MADHYA PRADESH
AFTER ST AND LT BUSINESS IS INTEGRATED
AS ON 30 JUNE 1975

Sr. No.	District	Percentage of recoveries to demand		Percentage of recoveries to demand (integrated credit) (ST + LT)
		ST	LT	
1	2	3	4	5
1.	Jabalpur	50	85	53
2.	Narsingpur	57	73	58
3.	Balaghat	42	65	43
4.	Seoni	49	48	49
5.	Chhindwara	52	40	52
6.	Mandla	68	51	67
7.	Damoh	52	66	53
8.	Sagar	29	65	34
9.	Raipur	44	51	44
10.	Bastar	22	34	22
11.	Durg	40	68	40
12.	Bilaspur	35	73	36
13.	Raigarh	44	59	44
14.	Surguja	17	87	22
15.	Rewa	36	55	38
16.	Sidhi	49	46	49
17.	Satna	67	77	68
18.	Panna	67	78	68
19.	Chhattarpur	49	65	55
20.	Tikamgarh	15	50	21
21.	Dhar	55	53	55
22.	Shahdol	14	53	16
23.	Indore	56	60	57
24.	Jhabua	55	38	53
25.	Khandwa	70	81	71
26.	Khargone	61	69	61
27.	Dewas	64	71	65
28.	Mandsaur	53	70	54
29.	Ratlam	50	61	52
30.	Ujjain	62	67	62
31.	Shajapur	54	56	54
32.	Bhopal	50	65	53
33.	Betul	54	64	55
34.	Hoshangabad	50	67	52
35.	Raisen	47	66	50
36.	Raigarh	61	40	58
37.	Vidisha	86	52	84
38.	Bhind	67	81	68
39.	Datia	28	76	39
40.	Guna	56	86	58
41.	Gwalior	36	75	39
42.	Morena	29	80	31
43.	Shivpuri	26	80	31

MAHARASHTRA

General Features

The State of Maharashtra came into being on 1 May 1960 after bifurcation of the old Bombay State, and is the third biggest state in India both in respect of area and population. It covers an area of 3,07,762 sq. km. and its population as per 1971 census was 5.04 crores forming 9.2 per cent of the total population of the country. The density of population was 164 per sq. km. as compared to 549 for Kerala and 182 for the country. The percentage of rural population in 38,661 villages of the state to total population was 68.83 as against 80.1 in the whole of India; the population of a village varied from 578 persons in Chandrapur district to 2,857 persons in Sangli district. The state has been divided into 26 districts and 235 talukas.

Agricultural Situation

2. Recurrent drought conditions in one-third portion of the state, predominance of low-value crops in the cropping pattern, and relatively poorer yields are the main features of the agricultural situation in Maharashtra. Consequently, this sector, which engaged 1.2 crore persons or two-thirds of the working force, accounts for only one-fifth of the state income.

3. Although, during the period 1960-61 to 1970-71, the cropping pattern in the state had significantly shifted in favour of cash crops like sugarcane and cotton, the foodgrain crops still cover a major portion of the area under plough. Within the state, foodgrains account for 39 per cent of the gross value of the agricultural output and non-foodgrains for 47 per cent. Among foodgrains, jowar, rice and bajra are the important crops, while cotton, sugarcane and groundnut form the important cash crops.

4. The net sown area measured 184 lakh hectares forming 60 per cent of the total area. About 37 per cent of the cultivating households accounted for only 7 per cent of the total cultivated land. All the farmers in this group were marginal and sub-marginal farmers. Where irrigation facilities were not available, these holdings proved to be uneconomic units. Like other parts of the country, the preponderance of marginal holdings (below 1 hectare) is noticed in Maharashtra also. About 25 per cent of the holdings in the size group of below 1 hectare

accounted for hardly 2.7 per cent of the total area. Holdings between 1 and 2 hectares formed 17.7 per cent of the total holdings, accounting for about 6.1 per cent of the total area of holdings. The latest available data relating to the distribution pattern of land holdings are given in the table below :

TABLE 1

Size of holdings (in hectares)	Number of holdings (in lakhs)	Percentage to total number of holdings	Area of holdings (in lakh hectares)	Percentage to total area of holdings
Below 1	12.42	25.1	5.78	2.7
1 — 2	8.78	17.7	12.84	6.1
2 — 4	10.87	22.0	31.31	14.8
Above 4	17.44	35.2	161.86	76.4

Source: All-India Report on Agricultural Census, 1970-71.

Irrigation Facilities

5. In respect of irrigation facilities, Maharashtra is almost at the bottom among the states in the country. The main sources of water continue to be wells (57 per cent), canals (22 per cent) and tanks (16 per cent). Irrigation facilities are available mainly for rice, jowar, wheat and sugarcane. A decade ago, the Maharashtra State Irrigation Commission had estimated that only about 30 per cent of the gross cropped area in the state could be assured of regular irrigation if all possible resources were exploited and the cost of creating the maximum irrigation potential was officially estimated at Rs 2,600 crores.

Co-operative Credit Structure

6. The short-term wing of the co-operative credit structure in the state was of three tier federal type with the Maharashtra State Co-operative Bank Ltd., at the apex level, 25 district central co-operative banks at the district level and 19,955 primary agricultural credit societies at the base, each society generally confining its area of operation to a village panchayat. Besides, there were 314 urban co-operative banks and 3,416 urban credit societies as on 30 June 1974 catering to the credit needs of the people in the state. The Maharashtra State Co-operative Land Development Bank Ltd., with 26 branches catered to the long-term requirements of the agriculturists. The financial parti-

culars of the credit agencies functioning in the short-term and long-term wings of the co-operative credit structure as on 30 June 1975 are furnished in Statement 1.

State Co-operative Bank

7. The Maharashtra State Co-operative Bank Ltd. (incorporating the Vidarbha Co-operative Bank Ltd.) operates through its 36 branches and a regional office at Nagpur and six divisional offices.

8. The bank extends credit facilities to the district central co-operative banks, sugar factories, spinning mills, marketing and processing societies and urban co-operative banks in the state. It also finances different types of societies in Greater Bombay including the Land Development Bank.

9. The bank has been taking considerable interest in the development of the co-operative movement for diverse economic activities. The bank's owned funds formed 11.5 per cent of its working capital of Rs 311.52 crores as on 30 June 1975, and its deposits 52.2 per cent. The aggregate outside borrowings of the bank worked out to 31.4 per cent of the working capital indicating the bank's ability to mobilise deposits and reliance on its own resources.

10. While the bank's own involvement in advances for agriculture which carried low interest was kept to the minimum, own resources were deployed, as far as possible, in financing the non-agricultural co-operative sector by way of cash credits and term loans giving higher yield. The outstanding agricultural loans of the bank were roughly one half of its total advances.

11. The bank advocated the production-oriented system of lending for agriculture for adoption by central co-operative banks and observed the normal banking safeguards while providing cash credit advances to trading and processing co-operatives. However, its role in promoting development lending in backward areas and for people of small means is limited.

Central Co-operative Banks

12. The number of central co-operative banks stood at 25 as on 30 June 1975 and their financial particulars since 1972-3 are given in Table 2.

TABLE 2

Rs Lakhs

Sr. No.	Particulars	As on 30 June		
		1973	1974	1975
1.	No. of Central Co-operative Banks ..	25	25	25
2.	Paid-up capital	2,753.04	2,932.43	3,142.76
3.	Reserves	1,382.35	1,582.67	2,029.34
4.	Deposits	17,019.93	17,719.23	20,066.09
5.	Borrowings	6,134.17	8,989.24	8,406.58
6.	Loans and Advances outstanding ..	19,544.88	23,851.74	25,594.82
7.	Overdues	2,733.78	5,730.76	7,087.75
8.	Percentage of overdues to demand ..	16.3	35.0	36.0

The performance of the district central co-operative banks in the dispensation of credit had not shown much improvement during 1974-5. This was due mainly to the scarcity conditions prevailing in the state; as a sequel to this, the banks had to resort to conversion, rephasing and rescheduling operations to a large extent. The overdues of the banks had recorded a substantial increase from Rs 27.34 crores during 1972-3 to Rs 57.31 crores during 1973-4, i.e., from 16.3 per cent to 35 per cent. The uptrend continued during the year 1974-5 also. Further, deficiencies were also noticed in regard to the implementation of crop loan system in the state. The performance of the banks was not satisfactory even in the minimum involvement in advances to the small and economically weak farmers prescribed to them despite incentives given by state government through outright grants to the special bad debts reserve of the central banks and the primary societies.

Primary Agricultural Credit Societies

13. As on 30 June 1975, there were 19,955 societies with a membership of 3.8 million serving about 34,500 villages (the total in the state being 35,778) with a population of 25 million. The effective membership (borrowing membership), was 1.3 million forming 34.2 per cent of the total membership.

14. The paid-up share capital and the loans outstanding stood at Rs 65 crores and Rs 217 crores, respectively as on 30 June 1975. Loans advanced had steadily increased from Rs 83 crores in 1967-8 to Rs 137 crores in 1973-4 except for a small downward trend in 1971-2. Of the loans advanced in 1973-4, about 22.5 per cent were in respect of tenants, agricultural labourers and those with land holdings upto 2 hectares. The number of societies advancing loans had come down from 18,994 in 1967-8 to 18,260 in 1971-2 but improved to 18,785

in 1973-4. The overdues which had declined to Rs 35 crores (forming 20 per cent of the outstandings at Rs 174 crores at the end of 1972-3) rose to Rs 80 crores and formed 44 per cent of the outstandings at Rs 182 crores at the end of 1973-4 indicating poor recovery efforts.

15. Of the total 19,975 societies as at the end of 1973-4, 9,868 societies were having full-time paid secretaries and 10,107 part-time secretaries including honorary secretaries. During 1973-4, 6,314 societies supplied agricultural inputs valued at Rs 29 crores whereas 5,989 societies supplied consumer goods of the order of Rs 40 crores.

16. The details of averages per society relating to share capital, deposits, etc., *vis-a-vis* the all-India averages for the year 1973-4 are given below :

TABLE 3

In Rs

Particulars	As on 30 June 1974			
	Share Capital	Deposits	Working Capital	Loans Outstanding
Maharashtra	30,088	3,017	141,123	103,553
All-India	17,623	577	102,743	68,590

During the same year 11,355 societies worked at a profit whereas 8,333 societies worked at a loss.

17. Although the state government had recognised the need for re-organisation of primary credit societies as far back as in 1970, it had not been able to make any headway in the re-organization of the societies as their number which was 20,106 at the end of June 1968 almost remained at 19,975 even by the end of June 1974. The Study Team on Co-operative Agricultural Credit Institutions in Maharashtra appointed in December 1972 had recommended for adoption by the state government a definite criteria of viability and a plan of action by which the number of societies at 19,975 as on 30 June 1974 would be reduced by nearly 50 per cent to about 10,000.

18. The short-term agricultural needs by the end of the Fifth Plan, i.e., 1978-9 for the whole state had been placed at Rs 450 crores. It was estimated that co-operatives would be able to meet them to the extent of Rs 250 crores. This, together with the short-term agricultural loans of about Rs 100 crores expected to be issued by the commercial

banks to the farmers either directly or through primary credit societies by 1978-9, would leave a gap of Rs 100 crores which was expected to be covered in the Sixth Five Year Plan.

Long-term Credit Structure

19. The Bombay State Co-operative Land Mortgage Bank Ltd. started functioning in 1936. The name of the bank was changed to Maharashtra State Co-operative Land Development Bank in 1971. Till recently, 27 primary banks organized at the district level with about 270 branches were affiliated to it. Consequent on a decision taken in October 1972 by the state government, the federal set-up in the land development banking structure of the state was changed to a unitary set-up with effect from 1st May 1973 with the main objective of improving the administrative efficiency and financial capacity of the land development banks at the lower level. As on 30 June 1975, the bank had 26 district branches and 271 sub-branches at taluka level. The bank had its head office in Bombay with 6 divisional offices at Pune, Kolhapur, Nasik, Aurangabad, Nagpur and Akola which controlled and supervised the district branches and sub-branches in their jurisdiction. The district branch was the chief organ at the field level to implement through the sub-branches, the bank's annual programme of loans and recoveries of loan instalments.

20. The important purposes for which the bank grants long-term loans to farmers are improvement and development of their lands, improvement in agricultural productivity and purchase of agricultural lands. Loans for debt redemption were discontinued since 1964-5. The Government of Maharashtra had recently notified dairy development as one of the purposes for which the bank can advance loans.

21. The principal indicators of the bank's working are furnished below :

TABLE 4

Sr. No.	Particulars	Rs Crores	
		30-6-1974	30-6-1975
1.	Share capital	31.71	26.76
2.	Reserves	5.73	6.28
3.	Debentures outstanding	176.67	182.21
4.	Overdue interest reserve	20.75	13.45
5.	Investments for debenture redemption	64.53	65.54
6.	Loans and advances	149.72	149.06
7.	Cumulative loss balance	14.05	13.23
8.	Percentage of recoveries to demand	55.5	49.8

22. During 1974-5, the bank's working had resulted in a profit of Rs 83 lakhs as against the loss of Rs 33 lakhs in the previous year. Against the loss balance of Rs 13.23 crores, the provision for overdue interest reserve amounted to Rs 13.45 crores. The recoveries as on 30 June 1975 accounted for 49.8 per cent of the demand at Rs 45.93 crores. There had been no improvement in the overall recovery performance during the year 1974-5.

23. The overdues position of sub-branches was very disquieting and is furnished below :

TABLE 5

No. of sub-branches in the State as on 30 June 1975	: 271
Demand during the year 1974-5	: Rs 4,593.12 lakhs
Overdues during 1974-5	: Rs 2,306.69 lakhs
Percentage of recoveries to demand	: 49.8

The range of overdues in respect of the 271 sub-branches is depicted in the table given below :

TABLE 6

Sr. No.	Range of overdues at the sub-branches level as on 30 June 1975	No. of sub-branches
1.	Upto 25 per cent of the demand for 1974-5 ..	40
2.	Between 26 and 35 per cent of the demand ..	42
3.	Between 36 and 45 per cent of the demand ..	49
4.	Between 46 and 55 per cent of the demand ..	60
5.	Between 56 and 60 per cent of the demand ..	24
6.	Above 60 per cent	56
	Total	271

24. Thus, out of 271 sub-branches, only 40 are eligible for unrestricted lending in 1975-6 as per criteria laid down by RBI/ARDC. As many as 56 sub-branches will not be eligible for any refinance facilities, while the remaining 175 sub-branches, will be able to draw restricted funds varying between 50 per cent and 80 per cent of their previous year's lending. The ability of these sub-branches in supporting the agricultural development programmes of the state will primarily depend on their recovery performance in future years.

ARDC Schemes

25. As on 30 June 1975, ARDC had sanctioned 361 schemes for implementation through commercial banks, the State Co-operative Bank and the SLDB involving a total financial assistance of Rs 96.41 crores, ARDC's commitment being Rs 82.16 crores. The disbursements upto 30 June 1975 amounted to Rs 45.89 crores. Out of a total of 361 schemes, 60 schemes were sanctioned to SLDB, involving a financial assistance of Rs 59.89 crores, the disbursements thereunder being Rs 39.04 crores.

Viability of Societies

26. The viability of societies and recovery position after integration of business are indicated in Statements 2 and 3, respectively.

Secretariat of the Committee

Bombay

25 January 1976

STATEMENT 1

FINANCIAL AND OTHER PARTICULARS RELATING TO CO-OPERATIVE CREDIT INSTITUTIONS IN MAHARASHTRA
AS ON 30 JUNE 1975

Rs Lakhs

Sr. No.	Type of institutions	No. of institutions	No. of branches	Paid-up capital	Statutory reserve	Other reserves	Deposits	Borrowings	Working capital	Investments	Loans outstanding	Overdues	Demand during the year	Percentage of recoveries to demand
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1.	State co-operative bank	1	36	1114.57	294.00	2086.85	16251.51	9800.17	31152.68	5020.79	23368.82	263.75	8939.01	96.9
2.	District central co-operative banks	25	1137	3142.76	532.00	1497.34	20066.09	8406.58	35488.41	2258.18	25594.82	7087.75	18533.14	64.0
3.	Primary agricultural credit societies (as on 30 June 1974)	19955	—	6477.24	864.18	642.74	650.57	18767.56	29801.19	2548.39	21702.13	9253.36	21483.88	56.9
4.	State co-operative land development bank	1	*26 **271	2676.36	190.66	437.46	754.02	18234.66	25102.52	7071.52	14906.37	2306.69	4593.12	49.8

* District branches

** Sub-branches

STATEMENT 2

VIABILITY OF PRIMARY AGRICULTURAL CREDIT SOCIETIES
AFTER INTEGRATION OF ST AND LT BUSINESS IN MAHARASHTRA
As on 30 June 1975

Rs Lakhs

Sr. No.	District	No. of PACS	Average per Society			
			Existing business		Combined business	Potential business (ST+LT)
			ST	LT		
1	2	3	4	5	6	7
1.	Dhule ..	755	1.22	0.61	1.83	2.67
2.	Jalgaon..	873	1.65	0.74	2.39	5.47
3.	Nasik ..	981	1.40	0.62	2.02	5.18
4.	Thane ..	563	0.39	0.11	0.50	1.04
5.	Kulaba	524	0.64	0.19	0.83	0.65
6.	Ratnagiri	619	0.28	0.09	0.37	0.76
7.	Pune ..	879	0.94	0.66	1.60	4.06
8.	Ahmednagar ..	1094	2.18	0.84	3.02	5.38
9.	Satara ..	770	1.10	0.82	1.92	2.46
10.	Sangli ..	519	2.57	2.14	4.71	5.22
11.	Kolhapur	877	1.95	0.72	2.67	2.73
12.	Solapur	883	1.12	1.04	2.16	3.25
13.	Aurangabad ..	.. 1158	0.96	1.00	1.96	2.49
14.	Bhir ..	759	0.82	1.05	1.88	2.77
15.	Nanded	952	0.80	0.60	1.40	2.01
16.	Parbhani	.. 1012	0.80	0.51	1.31	2.79
17.	Osmanabad ..	.. 966	1.01	1.25	2.26	3.00
18.	Akola ..	841	0.68	0.68	1.36	2.16
19.	Amravati	725	1.11	0.92	2.03	2.94
20.	Bhandara	788	0.48	0.33	0.81	3.38
21.	Buldhana	569	1.09	0.78	1.87	3.70
22.	Wardha	404	0.75	0.99	1.74	2.46
23.	Nagpur..	632	0.90	0.84	1.74	2.03
24.	Ycotmal	603	1.57	1.27	2.84	3.24
25.	Chanda	.. 1184	0.28	0.23	0.51	1.12

STATEMENT 3

RECOVERY POSITION OF PRIMARY CREDIT SOCIETIES IN MAHARASHTRA
AFTER ST AND LT BUSINESS IS INTEGRATED
As on 30 June 1975

Sr. No.	District	Percentage of recoveries to demand		Percentage of recoveries to demand (integrated credit) (ST + LT)
		ST	LT	
1.	Dhule	71	48	66
2.	Jalgaon	60	51	58
3.	Nasik	70	38	65
4.	Thane	33	60	34
5.	Kulaba	40	68	44
6.	Ratnagiri	53	71	55
7.	Pune	54	65	56
8.	Ahmednagar	58	63	58
9.	Satara	45	62	47
10.	Sangli	71	57	68
11.	Kolhapur ..	81	66	80
12.	Solapur	44	53	46
13.	Akola	50	63	54
14.	Amravati	46	62	49
15.	Bhandara ..	13	38	17
16.	Buldhana ..	71	58	69
17.	Wardha	66	76	69
18.	Nagpur	85	51	81
19.	Ycotmal	38	58	42
20.	Chanda	48	49	48

Note: Information in respect of Aurangabad, Bhir, Nanded, Parbhani and Osmanabad districts was not readily available.

ORISSA

General Features

Orissa State, which covers an area of 1,55,842 sq. kms., has a population of 2.19 crores (as per 1971 census), about 91.6 per cent of it being rural. Scheduled tribes and scheduled castes formed 23 per cent and 15 per cent, respectively of the total population.

2. The state is divided into 13 districts and 56 sub-divisions. Of the 38.07 lakhs of rural households, small farmers and agricultural labourers accounted for 52 per cent and 24 per cent, respectively. The operational holdings of agricultural land were relatively small and 89.5 per cent of the total land holdings had less than 4 hectares each. More than 76 per cent of households had holdings of less than 2 hectares each. The average size of operational holding was 1.89 hectares and the average number of parcels per holding was about 3. The size-wise distribution of operational holdings is given in the following table :

TABLE 1

Size of holdings (in hectares)	No. of holdings (in lakhs)	Percentage to total number of holdings	Area of holdings (in lakh hectares)	Percentage to total area of holdings
Below 1	14.75	43.3	7.70	11.9
1 — 2	11.21	32.9	17.14	26.6
2 — 4	4.53	13.3	13.63	21.1
Above 4	3.58	10.5	26.02	40.4

Source: All-India Report on Agricultural Census, 1970-71

Agricultural Situation

3. Out of the state's total geographical area of 155.40 lakh hectares, the net area sown and the total cropped area were 61.20 lakh hectares and 77.56 lakh hectares, respectively, with 16.36 lakh hectares sown more than once. According to the 1971 agricultural census, forests occupied 49.75 lakh hectares. Cultivable wastes were estimated at 7.71 lakh hectares. Food crops covered as much as 73 per cent of the total cropped area, paddy alone being cultivated in 44.71 lakh hectares (winter, autumn and summer crops). Other major crops were ragi, maize, pulses, groundnut, sugarcane, jute, potato, turmeric, sesamum, mustard and rapeseed. High yielding varieties of paddy were cultivated in about

2.10 lakh hectares during rabi 1972-3 and in 2.45 lakh hectares during kharif 1973.

4. Agriculture continues to record rather a slow growth rate in Orissa, mainly because of the state's susceptibility to frequent natural calamities like flood, drought and cyclones, poor irrigation facilities, the fragmented nature of holdings and the high proportion of tribal and other backward and illiterate population.

Irrigation Facilities and Groundwater Potential

5. The Subarnarekha, Baitarani, Brahmani, Mahanadi, Indravati, Sabari, Silaru, Rushikulya, Budhabalanga are some of the important rivers flowing through the state. But about 85 per cent of the cultivated area depends on monsoon for irrigation. A few more major and minor projects would soon be commissioned for benefiting additional areas. A major handicap in making the optimum use of available irrigation facilities in the state is the slow progress in rural electrification. Out of 51,639 villages in the state, as on 30 June 1974, only about 9,700 villages were electrified.

6. At present there are about 92,000 dugwells, 650 tubewells and 1,400 river lift irrigation projects in the state. The total irrigation potential created so far in the state would benefit about 13.9 lakh hectares during kharif and 5.7 lakh hectares during rabi. According to the tentative estimates made by the Agricultural Refinance & Development Corporation, the total usable groundwater potential in the state had been placed at 10.78 million acre feet. Taking into account existing draft of 0.36 million acre feet, balance of groundwater available for further exploitation would be of the order of 10.42 million acre feet. The available groundwater resources would be able to support a programme of 5,50,000 dugwells, 27,400 filter points and shallow tubewells and 10,000 medium and deep tubewells, which in all are likely to irrigate additionally an area of about 18 lakh hectares.

Co-operative Credit Structure

7. The short and medium-term credit structure in the state consists of the state co-operative bank, 17 central co-operative banks, 3352 primary agricultural credit societies, 117 grain banks, 10 primary co-operative banks and 197 non-agricultural credit societies (as on 30 June 1974). The long-term credit structure consists of one state land development bank and 55 primary land development banks. The financial

particulars of the agricultural credit institutions in the state as on 30 June 1975 are given in Statement 1.

State Co-operative Bank

8. The Orissa State Co-operative Bank was functioning since the year 1948, in the old Orissa province. This bank became the apex co-operative bank for the re-organized Orissa State. The progress made by the bank during the last 3 years ended 30 June 1975 is given below :

TABLE 2

Sr. No.	Particulars	Rs Lakhs		
		30-6-73	30-6-74	30-6-75
1.	Paid-up capital	96.29	99.45	104.83
2.	Reserves and other funds	179.61	185.36	190.40
3.	Deposits	635.01	681.71	799.52
4.	Borrowings outstanding	303.44	358.83	540.83
5.	Loans issued	1768.67	1656.03	2375.68
6.	Loans and advances outstanding	823.53	888.33	1297.29
7.	Overdues	100.64	42.07	41.36
8.	Percentage of recoveries to demand	93.0	96.7	97.4
9.	Profit (+) or loss (-)	+4.99	+5.64	-0.85

As on 30 June 1975, the major constituents of the bank's resources, viz., owned funds, deposits and borrowings were in the proportion of 18.1 per cent, 50.6 per cent and 31.3 per cent, respectively.

9. Out of the total loans and advances outstanding on 30 June 1975 amounting to Rs 1297.29 lakhs (short and medium-term), advances for agricultural purposes amounted to Rs 918.28 lakhs. The other purposes of advances were procurement of foodgrains, marketing and processing of agricultural produce, production and marketing activities of weavers and other industrial societies, etc. The bank's major borrowers, other than central co-operative banks, were the state land development bank, a couple of sugar mills and the state co-operative consumers' federation.

10. The bank's advances for agriculture were made in accordance with the principles and procedures of the production-oriented systems of lending.

Central Co-operative Banks

11. There were 17 central co-operative banks functioning in the 13 districts of the state. While 10 out of the 13 districts had one central

co-operative bank each, two districts, viz., Cuttack and Ganjam had 2 banks each and another district, Puri had 3 banks. The major indicators of the business done by the central co-operative banks during the last 3 years are given below :

TABLE 3

Sr. No.	Particulars	Rs Lakhs		
		1972-3	1973-4	1974-5
1.	Paid-up capital	507.04	536.05	585.19
2.	Reserves	236.25	262.08	264.41
3.	Deposits	1060.61	1147.40	1208.60
4.	Loans advanced	1676.13	1488.76	2246.42
5.	Loans and advances outstanding	2255.67	2256.96	2598.69
6.	Overdues	1147.77	1106.15	1078.86
7.	Percentage of recoveries to demand	51.9	56.0	58.9

As on 30 June 1975, Banki, Bhawanipatna, Baudh (Phulbani), Keonjhar, Khurda, Koraput, Mayurbhanj and Sundergarh banks had loan outstandings of less than Rs 100 lakhs each. Six banks, viz. Angul, Bolangir, Baudh, Cuttack, Koraput and Sundergarh had recovered less than 50 per cent of the demand during 1973-4. Ten banks only earned nominal profit during 1974-5. Three banks were in 'A' class, six banks were in 'B' class and the remaining eight banks under 'C' as per audit classification for 1974-5. Six banks (Khurda, Cuttack, Koraput, Mayurbhanj, Sambalpur and Baudh) were considered weak requiring rehabilitation for which specific programmes are being drawn up by the state government. The district-wise position of central co-operative banks in the state is given in Statement 2.

Primary Agricultural Credit Societies

12. There were 3,352 primary agricultural credit societies (of which 228 were dormant) covering 49,871 villages and a population of 125.69 lakhs at the end of June 1975.

13. As against 38.07 lakh rural households, the nominal membership of the primaries as at the end of 1974-5 was only 17.10 lakhs, the coverage being about 45 per cent. While the indebted members at the end of the year were of the order of 10.13 lakhs including 6.78 lakh defaulters, only 3.58 lakh members had borrowed during the year. Thus the effective coverage was very poor.

14. At a minimum scale of production credit of Rs 125 per hectare for 69.72 lakh hectares of unirrigated land and of Rs 250 per hectare for 7.85 lakh hectares for irrigated land, the credit potential for the state was about Rs 10,678 lakhs. Assuming that primary agricultural credit societies would be called upon to meet an optimum level of 50 per cent of this, i.e., about Rs 50 crores per annum, the state can at the most sustain about 2,500 viable societies so that each society can have a minimum business of Rs 2 lakhs. Actually, however, the societies were expected to meet the credit requirements to the tune of Rs 400 lakhs only by the end of the Fifth Plan. In the tribal areas, it was proposed to organise 220 large-sized multi-purpose societies (LAMPS) by March 1977. Further, in 9 districts covered by SFDA, MFAL, CAP and DPAP schemes, farmers' service societies (one in each district) were proposed to be organised.

15. Certain data relating to the working of the primary agricultural credit societies in the state are given below :

TABLE 4

Sr. No.	Particulars	Total for all societies (for 1974-5)	Average per society	
			Orissa (1974-5)	All-India (1973-4)
1.	Membership (Nos.)	17.10 lakhs	510	227
		Rs. Lakhs	Rs.	Rs.
2.	Paid-up share capital ..	920.62	27,465	17,623
3.	Working capital ..	6,795.18	2,02,720	1,02,743
4.	Loans issued	1,930.43	57,590	49,276
5.	Loans advanced per borrowing member	—	539	581
6.	Loans outstanding ..	3,551.98	1,05,966	68,590

It may be observed from the above data that most societies continued to be non-viable. As against 2,862 societies that issued loans during 1972-3 only 2,447 had issued loans during 1973-4. The overdues had gone up from Rs 1,887.37 lakhs as on 30 June 1973 to Rs 2,115.65 lakhs as on 30 June 1974. However, the task of toning up the institutions was rendered easier on account of certain traits of inherent strength. There was no problem of overlapping areas of jurisdiction in the areas of most societies. Full-time paid secretaries were available in 3,083 societies (as on 30 June 1975). In this regard the state was better than most other states. (For the country as a whole only 59,816 out of a total number of 1,53,808 societies had full-time paid secretaries). Further, a large number of the societies had been treated as potentially viable

inasmuch as 2,559 societies qualified for state partnership. As many as 2,342 societies worked in profit during 1974-5 earning a total profit of Rs 141.00 lakhs or about Rs 6,020 per society. About 1,800 societies had their own godowns and 316 had hired godowns.

Long-term Credit Structure

16. The long-term credit structure in the state consisted of the state land development bank and 55 primary land development banks covering the 56 sub-divisions (tehsils) in the state. Certain data relating to the land development banks' working are given below:

TABLE 5

					Rs Lakhs		
Sr. No.	Particulars				1972-3	1973-4	1974-5
SLDB							
1.	Paid-up capital	..	..	..	126.85	135.94	144.90
2.	Debentures outstanding	..	..	..	1915.67	2196.71	2541.99
3.	Loans disbursed	..	..	..	257.11	303.35	360.74
4.	Loans outstanding	..	..	..	1615.53	1760.61	1949.38
5.	Percentage of recoveries to demand	..	..	..	56.0	49.2	42.6
6.	Overdues	..	..	..	85.75	147.36	340.21
PLDB							
1.	Number of members	..	..	..	90785	102535	133188
2.	Paid-up capital	..	..	..	127.39	144.64	185.35
3.	Loans disbursed	..	..	..	281.02	309.05	386.42
4.	Loans outstanding	..	..	..	1626.85	1794.31	2011.74
5.	Percentage of recoveries to demand	..	..	..	45.6	45.8	43.1
6.	Overdues	..	..	..	134.56	177.84	410.27

17. As against a cumulative lending of Rs 15.93 crores during the Fourth Plan for investment credit, the state government had set a target of Rs 62 crores for the Fifth Plan period. The main reason for the poor performance was the heavy overdues impeding the credit flow and the organizational deficiencies in purveying supervised credit. The bank's recoveries during 1974-5 formed 42.6 per cent of the demand. Deficiencies existed not only in extension and quality of lending operations but in the internal administration and management of the bank also. The bank's elected board of directors was superseded and an administrator is looking after its affairs for the last three years.

18. At the primary level, out of the 55 land development banks, only 24 were considered as viable as their loan outstanding had reached

the minimum level of Rs 35 lakhs each as on 30 June 1975. Twelve banks (namely, Jajpur, Rayagada, Bhadrak, Parlakhemundi, Kamakhyanagar, Dharamgarh, Bolangir, Dhenkanal, Angul, Sundargarh, Sambalpur, and Titalagarh) were weak and were included under rehabilitation programme. Out of 55 banks only 16 banks qualified for unrestricted lending programme and refinance during 1975-6 on the basis of their overdues as on 30 June 1975. Nine banks did not qualify for any assistance as their overdues had exceeded 60 per cent of demand. The rest of the banks (30) had restricted lending programmes.

Staffing Pattern

19. Most of the primary banks did not have qualified and adequate managerial personnel. There were only 276 supervisors in all the PLDB put together, as against an estimate made by the state government of 628 supervisors.

20. The staff position in the state land development bank is given in Statement 3. The bank had not so far created a full-fledged technical cell. For technical services, the banks depended upon the Sub-Assistant Registrars of the Co-operative Department.

ARDC Schemes

21. As on 30 June 1975, ARDC had sanctioned 57 schemes for implementation through the SLDB, commercial banks and the State Co-operative Bank involving a total financial assistance of Rs 32.50 crores. The total disbursements upto 30 June 1975 amounted to Rs 1.76 crores. Out of a total of 57 schemes, 23 schemes were sanctioned to SLDB, involving a financial assistance of Rs 18.68 crores, the disbursements thereunder being Rs 1.32 crores. As against a phasing for drawal of refinance at Rs 15.40 crores upto 30 June 1975, the SLDB could avail of the refinance facility to the extent of Rs 1.01 crores, representing a meagre 6 per cent of the Corporation's commitment.

Viability of Societies

22. The viability of societies after business integration is indicated in Statement 4. The recovery position at the primary level after the business is integrated is also given in Statement 5.

Secretariat of the Committee

Bombay

2 March 1976

STATEMENT 1

FINANCIAL AND OTHER PARTICULARS RELATING TO THE CO-OPERATIVE CREDIT INSTITUTIONS IN ORISSA AS ON 30 JUNE 1975

Rs Lakhs

Sl. No.	Type of institutions	No. of institutions	No. of branches	Paid-up capital	Statutory reserve	Other reserves	Deposits	Borrowings	Working capital	Investments	Loans outstanding	Demand during the year	Overdues at the end of the year	Percentage of recoveries to demand
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1.	State co-operative bank ..	1	1	104.83	36.96	153.44	799.52	540.83	1635.91	269.61	1297.29	1584.16	41.36	97.4
2.	Central co-operative banks*	17	101	585.19	62.23	202.18	1208.60	1001.03	3059.23	303.59	2598.69	2630.84	1078.86	58.9
3.	Primary agricultural credit societies	3352	—	920.62	151.05	246.72	197.64	2494.91	6795.18	506.30	3551.98	3633.26	2118.80	41.68
4.	State land development bank	1	8	144.90	11.08	1.37	11.09	2758.09	3096.80	870.10	1949.38	592.33	340.21	42.6
5.	Primary land development banks	55	—	185.35	2.33	3.44	10.13	1960.92	2452.45	93.91	2011.74	721.04	410.27	43.1

*Information as on last Friday of June 1975

STATEWISE ANALYSIS: ORISSA

STATEMENT 2

DISTRICT-WISE POSITION OF CENTRAL CO-OPERATIVE BANKS IN ORISSA
AS ON 30 JUNE 1975

Sr. No.	District			No. of offices including head office	Membership	Working capital	Loans				Percentage of recoveries to demand
							Advanced during the year	Outstanding as on 30-6-75	Demand during the year	Overdue	
1	2			3	4	5	6	7	8	9	10
1.	Balasore	..	..	8	416	274.15	173.11	175.99	221.33	66.78	70
2.	Bolangir	..	..	4	314	175.47	124.17	164.41	149.41	78.41	50
3.	Cuttack	..	..	13	775	339.45	281.51	310.52	359.33	159.66	56
4.	Dhenkanal	..	..	8	274	158.81	108.97	191.47	167.93	87.12	48
5.	Ganjam	..	..	14	719	686.52	428.15	546.52	434.13	149.65	47
6.	Kalahandi	..	..	3	153	132.85	100.04	124.86	93.09	38.37	59
7.	Keonjhar	..	..	3	203	99.99	59.14	97.30	60.82	23.06	58
8.	Koraput	..	..	6	339	146.10	95.83	95.01	102.42	59.35	41
9.	Mayurbhanj	..	..	6	247	110.43	68.99	82.44	74.74	24.36	76
10.	Phulbani	..	..	3	154	53.74	50.98	57.56	46.92	20.96	56
11.	Puri	..	..	15	920	485.52	404.40	417.18	387.54	149.89	59
12.	Sambalpur	..	..	13	402	303.90	312.99	260.70	461.48	175.55	62
13.	Sundergarh	..	..	5	119	93.70	38.24	74.74	71.74	45.70	43

STATEMENT 3

STAFF POSITION OF THE ORISSA STATE CO-OPERATIVE LAND DEVELOPMENT
BANK LTD. AT HEAD OFFICE AND BRANCHES

Category of Staff	Total No.
A. Senior level	
1. Managing Director	1
2. Manager	1
3. Chief Accountant	1
4. Development Officer	1
5. Technical Officers	2
6. Branch Managers	8
B. Middle level	
1. Establishment Officers	2
2. Administrative Officer	1
3. Asstt. Development Officers/Inspectors	11
4. Accountants	3
5. Law Officers/Legal Assistants	14
C. Junior level	
1. Asstt. Accountants	7
2. Sub-Asstt. Engineer/Agricultural Supervisors	3
3. Senior Assistants	18
4. Junior Assistants	15

STATEMENT 4

VIABILITY OF PRIMARY AGRICULTURAL CREDIT SOCIETIES
IN ORISSA AFTER INTEGRATION OF ST AND LT BUSINESS
As on 30 JUNE 1975

Rs Lakhs

Sr. No.	Name of the district	No. of PACS	Average per Society			
			Existing ST loan business	Existing LT loan business	Combined business after take over	Potential business (ST+LT)
1	2	3	4	5	6	7
1.	Balasore	251	0.91	0.36	1.27	2.55
2.	Bolangir	219	1.48	0.96	2.44	5.89
3.	Cuttack	530	0.78	0.45	1.23	2.44
4.	Dhenkanal	187	1.60	0.86	2.46	3.42
5.	Ganjam	525	1.07	0.72	1.79	2.28
6.	Kalahandi	110	2.03	1.54	3.57	5.61
7.	Keonjhar	102	1.72	0.58	2.30	3.03
8.	Koraput	247	0.56	0.34	0.90	5.13
9.	Mayurbhanj	163	1.04	0.43	1.47	4.44
10.	Phulbani	92	0.92	0.30	1.22	3.00
11.	Puri	517	0.92	0.42	1.34	1.99
12.	Sambalpur	175	2.13	1.28	3.41	9.62
13.	Sundargarh	84	1.35	1.02	2.37	4.36

STATEMENT 5

RECOVERY POSITION OF THE PRIMARY CREDIT SOCIETIES
IN ORISSA AFTER THE ST AND LT BUSINESS IS INTEGRATED
As on 30 JUNE 1975

Sr. No.	District	Percentage of recoveries to demand		Percentage of recoveries to demand (Integrated credit) (ST + LT)
		ST	LT	
1	2	3	4	5
1.	Balasore	33	39	34
2.	Bolangir	22	20	22
3.	Cuttack	39	37	39
4.	Dhenkanal	31	33	31
5.	Ganjam	57	51	56
6.	Kalahandi	28	14	25
7.	Keonjhar	28	48	29
8.	Koraput	24	45	26
9.	Mayurbhanj	39	75	40
10.	Phulbani	32	12	30
11.	Puri	53	54	53
12.	Sambalpur	48	44	48
13.	Sundargarh	26	37	27

PUNJAB

General Features

The present State of Punjab came into existence on 1 November 1966 as a result of the re-organization of erstwhile Punjab. It has an area of 50,376 sq. km. and a population of 136 lakhs. The density of population per sq. km. was higher at 269 as against the national average of 182 with wide variations between the districts from 428 in Jullundur to 176 in Ferozepur. Physiographically the state can be divided into two major regions, the sub-mountainous region and the alluvial plains. It has been administratively divided into 12 districts comprising 42 tehsils. The total villages number 12,992 out of which 12,188 villages are inhabited.

Agricultural Situation

2. The state has emerged as a major granary of India. Between 1950-51 and 1970-71, the agricultural production increased at an annual compound rate of 6.5 per cent against the annual rate of 3.3 per cent for the country as a whole. Between 1964-5 and 1970-71, the foodgrain production in the state increased at a rapid rate of 20.0 per cent against the all-India average of only 3.2 per cent. A combination of factors like rich alluvial soil and excellent irrigation system was largely responsible for the agricultural transformation. According to the Agricultural Census 1970-71, the percentage of net irrigated area to net cultivated area of the state at 74.5 was the highest in the country. Support prices and a high degree of co-operation and co-ordination between the co-operative marketing societies and the state agriculture department contributed to the progress of agricultural production.

3. More than 76 per cent of the population was rural and 63 per cent of the total working population was engaged in agriculture. Out of a total area of 50.38 lakh hectares, 79 per cent of the area or 39.74 lakh hectares, were covered by 13.75 lakh operational holdings. The net cultivated area in the state accounted for 96 per cent of the total area of operational holdings against the all-India average of 89 per cent. Among the food crops, wheat was the most important followed by maize and rice; cotton and groundnut were the main cash crops.

4. Like other parts of the country, the preponderance of marginal holdings (below 1 hectare) is seen in Punjab also. About 38 per cent of the total holdings in the size group of below 1 hectare accounted for

barely 5.7 per cent of the total area. Holdings between 1 and 2 hectares at 19 per cent of the total holdings accounted for a little over 9 per cent of the total area of holdings. Significantly, the holdings above 5 hectares representing 17.2 per cent of the total holdings commanded 56.1 per cent of the total area of holdings. The data in respect of size of holdings are set out below:

TABLE 1

Size of holdings (in hectares)	No. of holdings (in lakhs)	Percentage to total No. of holdings	Area of holdings (in lakh hectares)	Percentage to total area of holdings
Below 1	5.18	37.8	2.25	5.7
1 — 2	2.60	18.9	3.72	9.4
2 — 5	3.60	26.1	11.46	28.8
Above 5	2.37	17.2	22.31	56.1

Source: All-India Report on Agricultural Census, 1970-71

Irrigation Facilities

5. Punjab is well known for its irrigation and well planned canal system. The major sources of irrigation in the state are tubewells and canals. These two sources respectively accounted for 56.5 per cent (16.80 lakh hectares) and 43.4 per cent (12.89 lakh hectares). The high percentage of canal irrigation was made possible by the snow-fed and perennial rivers like the Beas, the Ravi and the Sutlej. Though 85 per cent of the state's net sown area and more than 90 per cent of net irrigated area fall under the low rainfall zone (upto 75 cms. or 30"), the state occupies the pride of place in the irrigation map of India. In 1973-4, 72 per cent of the net sown area in the state was irrigated as compared to the national average of 22 per cent.

Groundwater Potential

6. The state possesses large resources of groundwater suitable for irrigation except in some areas like Bhatinda and some parts of Ferozepur and Amritsar districts where the sub-soil water is saline. According to the estimates of the Task Force on Groundwater Resources, the total usable groundwater potential on the basis of recharge from rainfall and seepage from rivers and canals has been estimated at 6.90 million acre feet. Considering the existing draft of 4.82 million acre feet, groundwater potential which can be safely drawn on a sustained basis is estimated to be of the order of 2.08 million acre feet. The available

groundwater resources would be able to support a programme of about 1.15 lakh tube wells which are likely to irrigate a further 5.50 lakh hectares.

Co-operative Credit Structure

7. As is the case in most parts of the country, the co-operative credit structure in the state has two wings, a three-tier one for short-term and medium-term credit and a two-tier one for long-term credit. The former consisted of the state co-operative bank at the apex level, 17 central co-operative banks at the district/sub-divisional level and over 10,000 primary agricultural credit societies. The long-term credit structure which is federal in character, comprised one state land development bank at the state level and 42 primary banks at the tehsil level. The financial particulars of credit agencies functioning in the short-term and long-term co-operative credit wings as on 30 June 1975 are given in Statement 1.

State Co-operative Bank

8. The state co-operative bank had been making commendable progress during the last decade despite reduction in its area of operation consequent on re-organization of Punjab. Its owned funds increased from Rs 195 lakhs in 1966-7 to Rs 712.52 lakhs as at the end of June 1975. The deposits which stood at Rs 503 lakhs in 1966-7 recorded a phenomenal growth and stood at Rs 3,808 lakhs in 1974-5, indicating the efforts made by the bank for deposit mobilisation. The progress made by the bank during the last 3 years ended 30 June 1975 is given in Table 2.

TABLE 2

Sr. No.	Particulars	Rs Lakhs		
		As on		
		30-6-1973	30-6-1974	30-6-1975
1.	Share capital	489.02	495.02	495.96
2.	Reserves and other funds	180.96	207.44	216.56
3.	Deposits	2598.43	3356.35	3808.26
4.	Borrowings (Total)	1519.30	836.49	1259.95
	(a) Of which, from Reserve Bank of India ..	880.72	212.38	537.07
	(b) Others	638.58	624.11	722.88
5.	Investments in Government and Trustee Securities	685.99	914.59	1084.79
6.	Loans outstanding	3610.45	3560.30	4190.02
7.	Advances during the year including cash credits and overdrafts	12251.05	12377.50	16570.76
8.	Overdues	0.03	1.37	129.73
9.	Percentage of recoveries to demand ..	100.0	99.9	96.5
10.	Profits	46.41	51.29	76.76

The loan policies and procedures followed by the bank were generally in accordance with the banking norms prescribed by the Reserve Bank of India.

Central Co-operative Banks

9. After the completion of the scheme of rationalization, the present position of central banks is that 17 banks served 12 districts of the state, six banks served 1 district each; 5 districts have 2 banks each while 1 has 3 banks. According to the accepted norms of viability, 15 banks are considered viable. The major indicators of the business done by the central co-operative banks till 30 June 1975 are given below:

TABLE 3

Sr. No.	Particulars	Rs Lakhs			
		As at end of June			
		1972	1973	1974	1975
1.	No. of banks	17	17	17	17
2.	No. of offices	200	221	220	225
3.	Paid-up capital	1381.00	1464.36	1531.93	1633.32
4.	Reserves	424.88	478.90	612.82	604.18
5.	Deposits	4623.10	5101.29	5779.36	6945.81
6.	Borrowings	1823.90	1817.01	1544.03	1444.09
7.	Loans and advances outstanding	5046.70	5875.10	5509.92	6176.45
8.	Overdues	2791.00	3681.46	4069.58	4760.36
9.	Percentage of recoveries to demand	65.4	61.0	62.0	58.5

10. The overdues of these banks increased from Rs 27.91 crores as on 30 June 1972 to Rs 47.60 crores as on 30 June 1975. The overdues in respect of short-term agricultural loans amounted to Rs 37.47 crores as on 30 June 1975 and constituted 36.9 per cent of the demand. Almost half of the banks were having overdues above 40 per cent. This had a crippling effect on the co-operative credit movement and the eligibility of the co-operative institutions to secure credit limits from the Reserve Bank of India had declined from year to year.

11. Punjab had the highest proportion of weak central co-operative banks barring admittedly weak states like Assam and Bihar. Out of 17 banks, 9 banks, viz., Batala, Nawanshahr, Gurdaspur, Ferozepur,

Faridkot, Fazilka, Hoshiarpur, Tarn Taran and Ropar had been identified as weak and require rehabilitation. A comparative picture of the business of the central co-operative banks in Punjab and the country as a whole is given in the following table :

TABLE 4

Sr. No.	Particulars	Rs Lakhs	
		Central co-operative banks	
		Punjab	All-India
		(As on 30 June 1974)	
1.	Owned funds	126.16	82.29
2.	Deposits	339.96	210.73
3.	Outstanding borrowings	90.82	149.26
4.	Working capital	610.55	467.67
5.	Loans outstanding (total)	324.11	341.00
6.	Short-term agricultural loans issued (seasonal agricultural operations and marketing of crops)	341.75	222.99
7.	Loans issued in kind	196.36	46.92

12. Though the overall position of the banks in meeting the production credit potential of Rs 131 crores (estimated on the assumption that 40 per cent of the total credit requirements would have to be handled by the co-operatives) was fairly satisfactory, there was still a gap of Rs 41 crores estimated on the basis of outstanding as on 31 December 1974 when the production credit touched peak level. The increases would have to be substantial in the districts of Amritsar, Bhatinda, Faridkot, Ferozepur, Patiala and Sangrur.

13. Supervision over the primary societies which till recently was mainly the responsibility of the Co-operative Department has now been transferred to the central banks in a phased manner. Out of 17 banks in the state only 6 have taken over the supervision work and in the area of operation of the remaining 11 banks where supervision over societies was done both by the bank and the department, the banks had no effective control over the supervisory staff.

Primary Agricultural Credit Societies

14. All the inhabited villages numbering 12,188 were served by 10,938 primary societies at the end of June 1975. The societies covered rural population of over 103 lakhs. Their membership was 16 lakhs which covered almost all the operational holdings in the state. The average membership was 146 per society. The proportion of borrowing members to the rural households was 52.2 per cent during the year 1974-5.

15. Certain data relating to the working of the primary societies in the state are given below :

TABLE 5

Sr. No.	Particulars	Total for all societies	Average per society (Position for 1973-4)	
			Punjab	All-India
1.	Membership (Nos.) ..	15.07 Lakhs	148	227
		Rs. Lakhs	Rs.	Rs.
2.	Paid-up capital	1429.15	14,020	17,623
3.	Working capital	9342.43	91,660	1,02,743
4.	Loans issued ..	5896.10	57,850	49,276
5.	Loans advanced per borrowing member	—	627	581
6.	Loans outstanding	6122.44	60,070	68,590
7.	Deposits	2075.10	20,360	577
8.	Borrowings ..	4427.03	43,440	5,937

16. During 1974-5, 7,239 societies handled distribution of farm requisites such as seeds, fertilisers, pesticides, implements, etc., amounting to Rs 5,237.57 lakhs. Paid secretaries were employed by 3,626 societies and 4,330 and 686 societies had part-time and honorary secretaries, respectively. 3,020 societies had incurred losses as at the end of 1974-5.

17. The prospective credit potential for the co-operatives in the state has been estimated at Rs 131 crores. On the basis of a minimum loaning business of Rs 2 lakhs for attaining viability, only 6,564 societies could be retained. The State Government had been advised by the RBI to conduct a block-wise survey taking into account the total cultivable land, cropping pattern and realistic scales of finance, etc., to determine the exact number of societies to be retained. Accordingly, the Registrar of Co-operative Societies has issued instructions in March 1976 that a phased programme for identification of weak and non-viable societies, block-wise, for merger with other societies be taken up. In the first instance, societies having loan business of less than Rs 50,000 as on 30 June 1975 would be merged with viable societies. Ultimately, societies with an operational area of 1,500 acres to 2,000 acres and a loan business of Rs 1 lakh and further potential of Rs 2 lakhs within the Fifth Five Year Plan would only be allowed to continue.

Long-term Credit Structure

18. The present central land mortgage bank came into being after the re-organisation of the erstwhile Punjab State in 1966. As on 30 June 1975, there were 42 primary land development banks serving all the 42 tehsils in the state. The working results of the SLDB are furnished in the following table :

TABLE 6

Sr. No.	Particulars	Rs Lakhs		
		As at the end of June		
		1973	1974	1975
1.	Paid-up capital ..	342.34	362.88	372.25
2.	Reserves and other funds	27.81	28.55	42.86
3.	Debentures outstanding	7899.81	8562.69	9626.25
4.	Debentures issued ..	1021.00	843.00	1156.46
5.	Working capital	8574.33	9595.19	10074.15
6.	Loans disbursed	1523.54	1069.02	1212.22
7.	Loans outstanding	5993.83	6110.20	6117.73
8.	Overdues	28.75	71.82	11.82
9.	Profit	46.72	60.82	94.85
10.	Percentage of recoveries to demand	98.0	92.8	99.0

The progress made by the bank in long-term lending in recent years cannot be said to be encouraging. The quantum of loans disbursed has declined from Rs 15.24 crores in 1972-3 to Rs 12.12 crores in 1974-5. In 1972-3, it occupied the sixth place in the country in availing of ARDC assistance; to-day it has slid to tenth place. Minor irrigation and farm mechanization formed a major portion of the loans issued by the bank and there is a need for diversification of its business for other purposes.

Primary Land Mortgage Banks

19. The 42 primary banks had a membership of 211 thousands as on 30 June 1975. In terms of coverage, this membership formed 10.2 per cent of rural households and 20 per cent of the borrowing membership of primary agricultural credit societies. The progress of the primary banks in the state is given in Table 7.

TABLE 7

Rs Lakhs

Sr. No.	Particulars	As at the end of		
		1972-3	1973-4	1974-5
1.	No. of PLDB	41	42	42
2.	Membership ('000)	166	196	211
3.	Owned funds	526.21	704.84	668.47
4.	Deposits and other borrowings	5958.51	6276.10	6096.41
5.	Working capital	6890.90	7369.65	7087.35
6.	Loans advanced during the year	1626.52	1583.65	1319.68
7.	Loans outstanding	6098.19	6425.39	6355.87
8.	Overdues	96.87	161.39	272.78
9.	Percentage of recoveries to demand	89.3	88.5	85.4

20. The overdues have increased partly due to defective loan policies and procedures and partly inadequate as well as inefficient supervision. Bulk of the advances (about 77 per cent) had been given for the twin purposes of construction of tube-wells and purchase of tractors. Efforts to diversify the lendings were lacking.

21. Though the quantum of overdues has been increasing, the recovery position as a whole in many banks is not unsatisfactory. During 1974-5, out of 42 banks, 36 banks (86 per cent) were eligible for unrestricted lending programme.

ARDC Schemes

22. As on 30 June 1975, ARDC had sanctioned 90 schemes involving an aggregate financial assistance of Rs 6,422 lakhs for implementation through the SLDB, commercial banks and the state co-operative bank. The disbursement by the banks amounted to Rs 3,752 lakhs. Out of a total programme of Rs 6,422 lakhs, SLDB's share amounted to Rs 4,163 lakhs in a total of 43 schemes, the disbursements thereunder being Rs 2,665 lakhs.

Viability of Societies

23. The viability of the societies and recovery position after integration of business are indicated in Statements 2 and 3, respectively.

Secretariat of the Committee

Bombay

27 March 1976

STATEMENT 1

FINANCIAL AND OTHER PARTICULARS RELATING TO THE CO-OPERATIVE CREDIT INSTITUTIONS IN PUNJAB
AS ON 30 JUNE 1975

Rs Lakhs														
Sr. No.	Type of institutions	No. of institutions	No. of branches	Paid-up capital	Statutory reserve	Other reserves	Deposits	Borrowings	Working capital	Investments	Loans outstanding	Demand during the year	Overdues at the end of the year	Percentage of recoveries to demand
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1.	State co-operative bank	1	2	495.96	30.45	186.11	3808.26	1259.95	6464.58	1084.79	4190.02	3728.39	129.73	96.5
2.	Central co-operative banks ..	17	225	1633.32	163.32	440.86	6945.81	1444.09	11720.88	751.76	6176.45	11455.53	4760.36	58.5
3.	Primary agricultural credit societies (30 June 1974) ..	10200*	—	1585.48	136.97	301.57	2244.23	4939.17	10348.37	997.33	6534.66	10316.69	3569.93	65.4
4.	State co-operative land mortgage bank	1	—	372.25	29.30	13.56	45.43	166.08	10074.15	3569.30	6117.73	1598.07	11.82	99.0
5.	Primary co-operative land mortgage banks	42	—	624.71	12.85	30.91	—	6096.41	7087.35	274.35	6355.87	1871.34	272.78	85.4

* Excluding societies under winding-up.

STATEMENT 2

VIABILITY OF PRIMARY AGRICULTURAL CREDIT SOCIETIES
AFTER INTEGRATION OF ST AND LT BUSINESS IN PUNJAB

As on 30 JUNE 1975

Rs Lakhs

Sr. No.	Name of the district	No. of PACS	Average per Society			
			Existing ST loan business	Existing LT loan business	Combined business after take over	Potential business (ST + LT)
1	2	3	4	5	6	7
1.	Ferozepur ..	1095	0.44	0.52	0.95	4.54
2.	Faridkot ..	817	0.60	0.88	1.48	6.26
3.	Ludhiana ..	967	0.94	0.71	1.65	4.25
4.	Kapurthala ..	346	0.66	0.71	1.37	4.04
5.	Bhatinda ..	643	0.44	0.74	1.18	7.52
6.	Sangrur ..	740	0.82	0.96	1.78	6.62
7.	Jullundur ..	1105	0.86	0.49	1.35	2.93
8.	Hoshiarpur ..	1215	0.55	0.26	0.81	1.09
9.	Patiala ..	899	0.70	0.94	1.65	5.20
10.	Ropar ..	713	0.42	0.34	0.76	1.68
11.	Gurdaspur ..	1237	0.39	0.38	0.76	2.33
12.	Amritsar ..	1161	0.63	0.46	1.09	4.14

STATEMENT 3

RECOVERY POSITION OF PRIMARY AGRICULTURAL CREDIT
SOCIETIES IN PUNJAB AFTER THE ST AND LT BUSINESS IS INTEGRATED

As on 30 JUNE 1975

Sr. No.	Name of the district	Percentage of recoveries to demand		Percentage of recoveries to demand (integrated credit) (ST + LT)
		ST	LT	
1	2	3	4	5
1.	Ferozepur	75	76	75
2.	Faridkot	64	89	67
3.	Ludhiana	84	96	85
4.	Kapurthala	57	94	64
5.	Bhatinda	48	85	55
6.	Sangrur	58	93	63
7.	Jullundur	86	98	87
8.	Hoshiarpur	64	90	67
9.	Patiala ..	46	80	52
10.	Ropar ..	68	90	71
11.	Gurdaspur	47	73	51
12.	Amritsar	45	74	49

RAJASTHAN

General Features

The Rajasthan State was formed in 1949 by integrating 22 erstwhile princely states. It is the second largest state in the Indian Union covering an area of 338 lakh hectares. It is one of the thinly populated states with a population of about 258 lakhs and a density of about 75 per sq. km. as against a density of 182 per sq. km. for the country as a whole. The state has basically a rural and agricultural economy. The total rural population of the state is 212 lakhs forming 82 per cent of the total population of which 73 per cent is gainfully employed in agriculture. The state has been divided into 26 districts and 232 Panchayat Samithis.

2. About one-third of the total area in the state is a desert. In 1972-3, of the total area of the state at 338 lakh hectares, about 122 lakh hectares (36 per cent) comprised uncultivable or fallow land, 13 lakh hectares (4 per cent) were covered by forests and 57 lakh hectares (17 per cent) were not available for cultivation. Thus, the net area sown measured 146 lakh hectares forming 43 per cent of the total geographical area of the state and the total cropped area was 161 lakh hectares. The average size of holdings was small in tribal area, medium in the non-tribal area, large in semi-arid zone and largest in arid zones. The size-wise distribution of operational holdings is given below:

TABLE 1

Size of holdings (in hectares)					No. of holdings (in lakhs)	Percentage to total number of holdings	Area of holdings (in lakh hectares)	Percentage to total area of holdings
Below 1	..	..	..	..	9.40	25.2	4.58	2.2
1—2	..	..	..	..	6.90	18.5	10.04	4.9
2—4	..	..	..	..	7.72	20.7	22.34	11.0
Above 4	..	..	..	..	13.24	35.6	166.44	81.9

Source: All-India Report on Agricultural Census, 1970-71.

On account of scanty rainfall and poor irrigation facilities, the cropping pattern was dominated by low value oil-seeds and foodgrain crops. The current trend is, however, for high value crops like wheat, groundnut and cotton.

Agricultural Situation

3. Agriculture in Rajasthan is basically agro-pastoral. More than half of the state's income comes from agriculture and allied activities—43 per cent from agriculture and 12 per cent from animal husbandry. It was greatly handicapped by unfavourable natural factors like poor soil and poor water resources. In these adverse conditions, the acceleration of agricultural development largely depended upon the stopping of the advance of the desert, extension of land irrigation, maximum conservation of water resources, adoption of suitable dry farming techniques, modern methods of cultivation and development of mixed farming.

Irrigation Facilities and Groundwater Potential

4. Irrigation facilities have been poor in Rajasthan. The sources of irrigation are wells and tubewells (58 per cent), canals (36 per cent) and tanks (6 per cent). The gross irrigated area in 1973-4 was 26.81 lakh hectares. The irrigated areas were also not evenly distributed among the various districts in the State. While the districts of Ganganagar, Kota, Bundi, Bharatpur and Sawai Madhopur have good canal irrigation facilities, the other districts mainly relied on tanks, wells and tubewells for their irrigation.

5. In accordance with the estimates furnished in the Report of the Task Force on Groundwater Resources set up by the Planning Commission, the total usable groundwater potential in the state has been estimated at 10.29 million acre feet. Taking into account the existing draft at 5.29 million acre feet as also assuming the 5.00 per cent growth rate of groundwater development during the last four years, groundwater surplus available for further exploitation is estimated to be of the order of 2.68 million acre feet. The available groundwater resources would be able to support a programme of about 1.90 lakh energised wells which are likely to irrigate 2.75 lakh hectares as against 22.69 lakh hectares of unirrigated land in the state as a whole, indicating the limited scope for groundwater exploitation. In the absence of water level observations on a well-planned grid of wells over a number of years, it is premature to rule out any areas as over-exploited. However, greater care will have to be exercised in the development of groundwater in the districts of Barmer (except Siwane Block), Ganganagar (except eastern parts and areas adjacent to canals), Jaisalmer (except southern areas), Jalore, Jodhpur (Jodhpur-Mathania area) and Pali.

Co-operative Credit Structure

6. The co-operative credit structure in Rajasthan for short-term and medium-term credit consisted of a State Co-operative Bank, 25 district central co-operative banks and 7,774 primary agricultural credit societies. The Rajasthan Rajya Sahakari Bhoomi Vikas Bank Ltd., at the state level and 35 primary banks at the district/sub-divisional/tehsil levels catered to the long-term requirements of the agriculturists. The financial particulars of the credit agencies functioning in the short-term and long-term wings of the co-operative credit structure as on 30 June 1975 are furnished in Statement 1.

State Co-operative Bank

7. The co-operative agricultural credit in the state is comparatively of recent origin. A real beginning was made in 1953 with the registration of Rajasthan State Co-operative Bank in October, 1953. The bank was included in the Second Schedule to the Reserve Bank of India Act, 1934, on 2 July 1966. The central co-operative banks, apex co-operative institutions, Rajasthan Rajya Sahakari Bhoomi Vikas Bank and the state government comprised the membership of the bank. Each of the 26 districts excepting Jaisalmer is served by a central co-operative bank. In Jaisalmer, a branch of the state co-operative bank has been functioning as the central financing agency for the district. The progress made by the bank during the last 3 years ended 30 June 1975 is given below :

TABLE 2

Sr. No.	Particulars	Rs Lakhs		
		30-6-73	30-6-74	30-6-75
1.	Paid-up capital	206.45	250.61	302.88
2.	Reserves and other funds	242.87	259.77	269.34
3.	Borrowings:			
	(a) Reserve Bank of India	1,085.09	1,395.95	2,053.99
	(b) Others	21.16	31.30	101.45
4.	Loans issued	1,863.31	2,840.02	4,552.07
5.	Loans and advances outstanding	1,692.85	2,300.77	3,436.01
6.	Overdues	139.31	33.26	22.32
7.	Percentage of recoveries to demand	88.0	97.6	98.8
8.	Profit earned during the year	12.23	26.35	28.93

During the year 1974-5, the bank had issued loans to the extent of Rs 4,552.07 lakhs. Of these, an aggregate sum of Rs 3,570.08 lakhs (78 per cent) were issued to affiliated central banks for seasonal agricultural operations. The loan policies and procedures pursued by the bank were generally in accordance with the banking norms prescribed by the Reserve Bank of India.

8. The bank had involved a larger portion of its loans to the central co-operative banks from the less developed areas. The recovery position which had deteriorated in 1971-2 had improved substantially in 1974-5 when the overdues stood at Rs 22.32 lakhs, which was the lowest during the past six years.

Central Co-operative Banks

9. Of the 25 central co-operative banks in the state, 12 were functioning in the non-tribal areas, 5 in tribal areas, 3 in arid zones and 5 in semi-arid zones. The central co-operative banks had, as on 30 June 1975, a total number of only 181 branches. A table showing the trends in the growth of deposits, lendings and the position of overdues, etc., during the last three years is given below :

TABLE 3

Rs Lakhs

Sr. No.	Particulars	As on 30 June		
		1973	1974	1975
1.	No. of banks	25	25	25
2.	No. of offices	160	173	181
3.	Paid-up capital	659.82	757.83	997.49
4.	Reserves	127.78	118.31	140.44
5.	Deposits	1,258.00	1,559.54	1,878.64
6.	Borrowings	1,688.01	2,266.16	3,203.90
7.	Loans and advances outstanding	2,905.68	3,666.52	4,640.69
8.	Overdues	1,145.20	1,342.36	1,850.94
9.	Percentage of recoveries to demand ..	58.0	63.0	65.0

10. The loan portfolio was marked by preponderance of agricultural loans. Despite the progress made by the central co-operative banks in the state, their overall financial position was relatively poor as compared to the all-India position. Comparative averages of some of the aspects of business operations of the central co-operative banks in Rajasthan and for all-India as on 30 June 1974 are given in Table 4. It would be seen therefrom that the working of the central co-operative banks was characterized by inadequate deposits, and inadequate loans and advances. The banks had not been able to play an effective role in the dispensation of agricultural production credit. The overall financial position of the banks on the whole continued to be weak and unsatisfactory. Only 9 out of the 25 banks were considered to be viable as on 30 June 1975 on the basis of a minimum level of loaning

business at Rs 2 crores. The overdues which had stood at Rs 1145.20 lakhs as at the end of 1972-3 had increased to Rs 1,850.94 lakhs at the end of 1974-5. The banks had not been able to recover the overdues against the societies and as many as 7 central co-operative banks were in default to the apex bank as on 31 January 1976.*

TABLE 4

Sr. No.	Particulars	Rs Lakhs	
		Central banks in Rajasthan	Central banks (all-India)
1.	Owned Funds	35.05	82.29
2.	Deposits	62.38	210.73
3.	Outstanding borrowings	90.65	149.26
4.	Working capital	199.41	467.67
5.	Loans outstanding (total)	146.66	341.00
6.	Short term agricultural loans issued (seasonal agricultural operations and marketing of crops)	100.67	222.99

11. Generally speaking, the working of the central co-operative banks was not satisfactory. Due to the paucity of adequate owned funds, the majority of the banks depended on borrowings from the higher financing agency and were hardly able to diversify their loan portfolio, particularly in disbursing loans to industrial and other non-agricultural societies. 18 central co-operative banks were brought under the rehabilitation programme on the basis of their financial position as on 30 June 1974. Of these, 13 were included by the Government of India for assistance under the central sector plan scheme.

Primary Agricultural Co-operative Credit Societies

12. Of the 32,241 inhabited villages, 30,741 or 95 per cent were served by 7,740 primary agricultural credit societies (PACS) at the end of June 1974. The societies covered 90 per cent of the rural population of 212 lakhs. Their membership was 15 lakhs and formed 41 per cent of rural families in the state. The average membership worked out to 194 per society. The proportion of members who borrowed during 1974-5 to the rural households stood at 20 per cent indicating thereby that the effective coverage of PACS in Rajasthan was very low.

13. Certain data relating to the working of the primary societies in the state are given in Table 5.

* It is, however, reported that the position of issue and recovery of loans of these banks had shown a marked improvement during the year 1975-6.

TABLE 5

Sr. No.	Particulars		Total for all societies	Position for 1973-4	
				Average per society	
				Rajasthan	All-India
1.	Membership (Nos.)	.. ..	15.00 lakhs	194	227
			Rs lakhs	Rs	Rs
2.	Paid-up share capital	.. ..	1,017.08	13,141	17,623
3.	Working capital	.. ..	5,385.28	69,577	1,02,743
4.	Loans issued	.. ..	2,549.37	32,938	49,276
5.	Loans advanced per member	.. ..	—	353	581
6.	Loans outstanding	.. ..	3,282.20	42,406	68,590

These indicate that the state falls short of the all-India averages in regard to membership, working capital, loans advanced, etc., of primary agricultural credit societies. The membership position had, however, improved during 1975-6, consequent on the amendments to the Rajasthan Co-operative Societies Act regarding the compulsory admission of every person applying for membership of the PACS, FSS, etc. As a result of this, as many as 3.40 lakhs persons have been enrolled.

14. The position of the PACS was further as follows:

(a) The proportion of dormant societies to the total number of societies was over 50 per cent, in the case of some of the arid and semi-arid zone districts as at the end of 1974-5.

(b) Only 3,236 societies were reported to be having full-time paid secretaries as on 30 June 1975. Out of 7,774 societies, as many as 993 had worked at a loss as at the end of 1974-5.

(c) The programme of PACS in Rajasthan had not succeeded in meeting the credit needs in their respective areas. The non-credit business handled by the societies related mainly to the distribution of fertilizers and controlled commodities. The recent report of the Study Team on Agricultural Credit Institutions (RBI) had, after a few spot studies covering a few PACS, found that there existed several instances of 'ghost' acreages, financing of defaulters and book adjustments. The societies had not also evinced adequate interest in issuing medium-term loans for agricultural purposes and other allied activities. The Team also concluded that instances of defaults by members of the managing committee were comparatively more in non-tribal and tribal areas of normal zone than the position obtaining in the arid and semi-arid zones. The Team, therefore, recommended that only 5,631 societies may be retained by a process of liquidation of dormant societies and amalgamation of weak societies.

(d) As against the total credit potential of Rs 193.60 crores as estimated by the Study Team for the year 1973-4, the total loans and advances overdue at the primary level and the short-term loans issued by the primary societies during 1973-4 stood at Rs 12.61 crores and Rs 23.74 crores, respectively. The total credit requirements met by the existing primary agricultural credit societies, therefore, stood at Rs 36.35 crores as on 30 June 1974. Thus, there was a big gap of Rs 157.25 crores between the credit potential of the state and credit requirements already met during the year 1973-4. This credit gap can be met only if the societies were made to function as operationally efficient and viable units which, in turn, would depend, inter alia, on the augmentation of their effective coverage. It is understood that steps are being taken by the state government for liquidation and amalgamation of non-viable societies. The re-organized societies are expected to come into existence shortly.

Organisation of LAMPS

15. It has been decided by the state government to organise 44 LAMPS on an average of 2 LAMPS per block during the Five Year Plan period.

Long-term Credit Structure

16. The Rajasthan Rajya Sahakari Bhoomi Vikas Bank Ltd., was registered on 26 March 1957. Although the bank had started functioning in 1957, no loaning business was done till 1959-60 mainly for reasons such as legal difficulties in creating charge on land and delay in not finalising lending policies. It was only in 1964-5 under the ARC programme of assistance that the business of the bank had started increasing. Certain data relating to the land development bank's working are given below :

TABLE 6

		Rs Lakhs		
Sr. No.	Particulars	1972-3	1973-4	1974-5
1.	Paid-up capital	143.39	156.12	171.24
2.	Reserve Fund	13.13	13.13	14.57
3.	Debentures (issued)	361.72	359.89	530.99
4.	Working capital	2,166.56	2,565.44	3,139.99
5.	Loans disbursed	372.53	462.11	536.22
6.	Overdues	122.27	173.37	211.15
7.	Percentage of recoveries to demand	52.0	49.4	54.6
8.	Profit	21.38	23.59	38.38

17. One of the major deficiencies in the bank's working is the increasing trend in overdues. The percentage of recoveries to demand which, in 1969-70, had stood at 96 had declined to 54.6 in 1974-5. The bank had not implemented the various suggestions made by the Reserve Bank regarding the rationalisation of loaning policies and procedures. The arrangements for verification of utilisation of loans were neither satisfactory nor was the staff adequate for the purpose. The bank was not having any technical staff and was mostly dependent on the government for its staff requirements.

Primary Land Development Banks

18. Most of the primary banks were organized after 1957-8. There were 35 PLDB with regular membership of about 1.50 lakhs. In terms of coverage, this membership constituted only 3.5 per cent of rural households and 17.8 per cent of the borrowing membership of primary agricultural credit societies in the short-term sector. The PLDB had a weak financial base inasmuch as 4 banks as on 30 June 1975 were having paid-up share capital of less than Rs 2 lakhs, 15 banks less than Rs 5 lakhs and only 16 banks had more than Rs 5 lakhs. The overdues amounting to Rs 20.22 lakhs in 1969-70 had risen to Rs 200.93 lakhs as on 30 June 1975; thus, the percentage of recoveries to demand which was 69 as at the end of 30 June 1970 declined to 60.1 at the end of June 1975.

19. The recovery position in regard to the PLDB is furnished in the following table :

TABLE 7

Recovery as percentage to demand	No. of PLDB
75 per cent or over ..	12
65 per cent to 75 per cent ..	7
55 per cent to 65 per cent ..	10
45 per cent to 55 per cent ..	3
Below 45 per cent ..	3
TOTAL	35

Out of 35 banks, 19 banks (54 per cent) were eligible for unrestricted lending programme and the remaining 16 banks would have restricted lending programme reflecting the weak LDB structure in the state.

20. On the basis of certain norms for rehabilitation of weak primary banks laid down by the Reserve Bank, 11 primary banks had been brought under the rehabilitation programme. The steps suggested for rehabilitation of these banks were, inter alia, effective action for recovery of overdues, rationalisation of loan policies and procedures, resources mobilisation and management, ensuring managerial competence, etc. Only 2 banks, viz., Hindaun and Sawai Madhopur, had shown some improvement in the recovery performance.

ARDC Schemes

21. During the year 1974-5, ARDC had sanctioned 16 schemes involving a total financial assistance of Rs 990 lakhs against which the Corporation's commitment was Rs 851 lakhs and that of the state government Rs 139 lakhs.

22. As on 30 June 1975, ARDC had sanctioned 68 schemes involving a total financial assistance of Rs 3,927 lakhs, the Corporation's commitment being Rs 3,445 lakhs. The disbursements by the financing banks amounted to Rs 1,294 lakhs. In a total of 46 schemes sanctioned to the SLDB involving a financial assistance of Rs 3,053 lakhs, the disbursements made by it stood at Rs 980 lakhs.

Viability of Societies

- 23. The viability of the societies and recovery position after integration of business are indicated in Statements 2 and 3, respectively.

Secretariat of the Committee

Bombay

11 March 1976

STATEMENT 1

FINANCIAL AND OTHER PARTICULARS RELATING TO CO-OPERATIVE CREDIT INSTITUTIONS IN RAJASTHAN
AS ON 30 JUNE 1975

Rs Lakhs														
Sr. No.	Type of institutions	No. of institutions	No. of branches	Paid-up capital	Statutory reserve	Other reserves	Deposits	Borrowings	Working capital	Investments	Loans outstanding	Overdues	Demand during the year	Percentage of recoveries to demand
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1.	State co-operative bank	1	3	302.88	45.57	223.77	941.83	2155.44	3867.24	220.19	3436.01	22.32	1878.94	98.8
2.	District central co-operative banks	25	181	997.49	41.81	98.63	1878.64	3203.90	6577.38	314.89	4640.69	1850.94	5115.95	65.0
3.	Primary agricultural credit societies	7774	—	1243.79	17.28	40.91	257.00	4173.00	6693.95	715.69	4019.13	1653.28	4665.92	62.9
4.	Co-operative central land development bank ..	1	1*	171.24	7.59	6.98	3.56	2809.03	3139.99	14.95	2145.40	211.15	445.78	54.6
5.	Primary land development banks	35	80	271.61	0.72	9.04	8.94	2133.45	2639.62	115.59	2254.95	200.93	502.61	60.1

* Excluding 6 Zonal Offices.

STATEMENT 2

VIABILITY OF PRIMARY AGRICULTURAL CREDIT SOCIETIES
AFTER INTEGRATION OF ST AND LT BUSINESS IN RAJASTHAN

AS ON 30 JUNE 1975

Rs Lakhs

Sr. No.	Name of the district	No. of PACS	Average per Society			
			Existing ST loan business	Existing LT loan business	Combined business after take over	Potential business (ST+LT)
1	2	3	4	5	6	7
1.	Ajmer	.. 284	0.53	0.21	0.74	3.37
2.	Alwar ..	.. 454	0.67	0.46	1.13	3.23
3.	Bharatpur ..	.. 558	0.79	0.57	1.36	2.84
4.	Jaipur	.. 619	0.31	0.42	0.73	2.75
5.	Sikar	.. 297	0.13	0.14	0.27	2.49
6.	Jhunjhunu	.. 250	0.13	0.11	0.24	1.96
7.	Sawai Madhopur ..	429	0.29	0.31	0.60	2.48
8.	Tonk ..	214	0.58	0.27	0.85	3.92
9.	Kota	329	1.19	0.66	1.85	6.54
10.	Bundi	139	0.86	0.11	0.97	3.68
11.	Jhalawar ..	217	0.80	0.59	1.39	3.92
12.	Sriganganagar	440	0.74	0.20	0.94	1.50
13.	Bikaner ..	125	0.26	0.05	0.31	3.75
14.	Churu	209	0.22	0.06	0.28	4.40
15.	Udaipur	554	0.23	0.37	0.60	1.74
16.	Banswara	209	0.33	0.18	0.51	3.28
17.	Dungarpur ..	180	0.15	0.14	0.29	1.78
18.	Bhilwara ..	279	0.47	0.38	0.85	3.67
19.	Chittorgarh	311	0.36	0.16	0.52	3.15
20.	Jodhpur	263	0.47	0.22	0.69	4.26
21.	Nagaur	379	0.13	0.09	0.22	2.87
22.	Pali	330	0.34	0.10	0.44	2.81
23.	Jalore	.. 218	0.10	0.38	0.48	4.97
24.	Sirohi ..	.. 135	0.22	0.18	0.40	3.11
25.	Barmer	.. 250	0.12	0.11	0.23	4.85
26.	Jaisalmer ..	.. 102	0.02	—	0.02	1.00

STATEMENT 3

RECOVERY POSITION OF PRIMARY AGRICULTURAL CREDIT
SOCIETIES IN RAJASTHAN AFTER THE ST AND LT BUSINESS IS INTEGRATED

AS ON 30 JUNE 1975

Sr. No.	Name of the district	Percentage of recoveries to demand		Percentage of recoveries to demand (integrated credit) (ST+LT)
		ST	LT	
1	2	3	4	5
1.	Ajmer	47	68	49
2.	Alwar	63	57	62
3.	Bharatpur	72	81	73
4.	Jaipur	59	50	56
5.	Sikar	77	44	71
6.	Jhunjhunu	47	62	51
7.	Sawai Madhopur	62	82	66
8.	Tonk	78	67	77
9.	Kota	53	65	55
10.	Bundi	55	56	55
11.	Jhalawar	64	75	65
12.	Sriganganagar	65	80	66
13.	Bikaner	71	97	72
14.	Churu	55	90	58
15.	Udaipur	61	58	61
16.	Banswara	49	59	50
17.	Dungarpur	47	60	48
18.	Bhilwara	56	65	57
19.	Chittorgarh	57	60	57
20.	Jodhpur	51	41	50
21.	Nagaur	34	61	42
22.	Pali	31	46	32
23.	Jalore	29	64	42
24.	Sirohi	25	76	29
25.	Barmer	60	60	60
26.	Jaisalmer	7	—	7

TAMIL NADU

General Features

The State of Tamil Nadu, situated on the southernmost part of the country, covers an area of 130 thousand sq. km. and has a population of 4.12 crores as per 1971 census. The rural population accounts for 69.7 per cent of the total as against the all-India average of 80.1 per cent. Tamil Nadu is one of the states where the density of population is high; the density in the state works out to 317 per sq. km. as against 182 per sq. km. for the country as a whole.

2. The state has been divided into 15 districts. There are 16,660 villages in the state. Non-agricultural workers formed about 38.2 per cent of the working population and cultivators and agricultural labourers formed 31.3 per cent and 30.5 per cent, respectively.

Agricultural Situation

3. As against a total geographical area of 130 lakh hectares the net sown area accounted for 63.48 lakh hectares and the gross cropped area was 76.42 lakh hectares. The net irrigated area was 27.10 lakh hectares and the gross irrigated area 35.30 lakh hectares. About 56.93 lakh hectares were under food crops and 19.43 lakh hectares under non-food crops. Among the food crops, rice was the most important item accounting for about 41.5 per cent of total agricultural production. Other important crops were sugarcane, groundnut and plantation crops. In 1973-4, the state accounted for about 11 per cent of the total rice production in India and occupied the second place after West Bengal. It was also one of the largest sugarcane growing areas in the country accounting for about 9 per cent of the sugarcane grown in India.

4. In introducing new techniques for agricultural production, Tamil Nadu was among the most advanced states in the country like Haryana and Punjab. As against an average consumption of 53 kg. of fertilizers per hectare of cultivated area in Punjab which ranked first in this regard, the average consumption in Tamil Nadu was 43 kg. per hectare. The high yielding varieties of crops were introduced in about 27 lakh hectares (55 per cent of the total area under foodgrain crops).

5. The small and economically weak farmers formed a fairly high proportion of the total farming population in the state. Nearly 80 per

cent of the holdings was less than 2 hectares in size. The size-wise distribution of the operational holdings is given in the following table :

TABLE 1

Size of holdings (in hectares)	No. of holdings		Area of holdings	
	(In lakhs)	Percentage to total	(In lakh hectares)	Percentage to total
Below 1	31.25	58.8	13.22	17.1
1 — 2	11.09	20.9	15.78	20.5
2 — 4	6.96	13.1	19.14	24.8
Above 4	3.84	7.2	28.95	37.6

Source: All-India Report on Agricultural Census, 1970-71.

Rainfall and Irrigation Facilities

6. The state receives a moderate rainfall of about 97 cm. annually from both the south-west monsoon and the north-east monsoon, over a period of about 6 months between June and December. However, large tracts in seven districts fall under the rain shadow region of the Western Ghats and as a result as many as 24 taluks in the districts of Coimbatore, Dharmapuri, Madurai, Ramanathapuram, Salem, Tiruchirapalli and Tirunelveli are drought-prone. These areas covered as much as one-fourth of the total area of the state and one-sixth of the population. About four-fifths of both the net sown area and net irrigated area came under medium rainfall zone and about one-fifth under heavy rainfall zone.

7. The important rivers that flow through the state are the Cauveri, Pennaiyar, Palar, Vaigai, Tambraparni, Bhavani, Cheyyar, Amaravathi, Chittar, etc. but none of them are perennial. There were also a few major lakes and tanks such as Chembarambakkam, Madurandakam, Red Hills, Cauverypak, Veeranam, Ramnad and Rasimangalam tanks. The Irrigation Commission (1972) had estimated that Tamil Nadu had an ultimate irrigation potential (surface as well as ground-water) of 36 lakh hectares or about 58 per cent of the net area sown in 1970-71. In 1970-71 about 75 per cent of this potential had already been utilised.

Groundwater Potential

8. By 1974-5, the state was said to have utilised almost 96 per cent of the surface water flow available for irrigation through the major and medium projects and had thereby almost exhausted the surface water resources. For future expansion of irrigation the state had to depend largely on exploitation of groundwater through minor irrigation schemes and other non-conventional measures of water conservation, for example, diversion of flood water of the Cauveri to the drought-prone district of Ramanathapuram, etc. According to the Irrigation Commission (1972) the state (including Pondicherry) had a net groundwater recharge of 11.5 million acre feet, after making allowance for evapo-transpiration and sub-surface run-off losses. Out of this, even if 7.06 million acre feet is considered to be the annual draft, the state will have 4.44 million acre feet of net groundwater recharge available for further groundwater development. Recently, the Geological Survey of India is reported to have identified a 20 km. groundwater belt at Thiruvanniyur-Kovalam coastal area. The State Groundwater Directorate has also indicated that greater care will have to be exercised in the development of groundwater in 3 taluks each in the districts of Coimbatore, North Arcot, Ramanathapuram and 2 taluks each in Salem and Tirunelveli.

Co-operative Credit Structure

9. The co-operative credit structure in Tamil Nadu consists of the three-tier short-term wing and the two-tier long-term wing. In the short-term wing, Tamil Nadu State Co-operative Bank is at the apex level, 16 central co-operative banks at the intermediate level and 5,066 primary agricultural credit societies at the base level. In the long-term wing, the state has a federal structure and as on 30 June 1975 there were 223 primary land development banks besides the central land development bank. The financial particulars of these institutions as on 30 June 1975 are furnished in Statement 1.

State Co-operative Bank

10. The Tamil Nadu State Co-operative Bank (formerly known as the Madras Central Urban Bank or the Madras Provincial Co-operative Bank) with jurisdiction over the whole of the state commenced its operations as early as 1906. The bank has 22 branches in Madras city and no regional offices elsewhere in the state. Certain major indicators of the progress made by the bank during the last 3 years ended 1974-5 are given in Table 2.

TABLE 2

Rs Lakhs

Sr. No.	Particulars	Year ended 30 June		
		1973	1974	1975
1.	Paid-up capital	385.19	400.74	436.84
2.	Reserves and other funds	418.36	516.03	507.92
3.	Deposits	2,548.43	3,727.84	3,478.83
4.	Borrowings	2,005.05	1,779.05	4,523.03
5.	Working capital	3,479.20	6,587.95	9,207.56
6.	Loans advanced	6,599.04	8,689.81	11,904.03
7.	Loans and advances outstanding	4,319.07	4,877.11	7,376.18
8.	Overdues	6.72	12.46	9.90
9.	Percentage of recoveries to demand	99.9	99.8	96.6
10.	Profit earned during the year	31.98	55.99	75.76

11. The bank increased its deposits by only 40 per cent during the year 1973-4; during the next year, there was, however, a slight decline in the total deposits by about Rs. 2.5 crores. The bank's loan portfolio has been steadily increasing. A spurt in its advances during the year 1974-5 by about Rs 25 crores was mainly due to large conversion loans issued at all levels.

12. The Tamil Nadu State Co-operative Bank is one of the leading state co-operative banks functioning in the country. Though its advances for seasonal agricultural operations have been steadily increasing, utilisation of its limits for medium-term advances has been poor. For a better performance in medium-term loans, the bank should provide the necessary lead and guidance to the central co-operative banks for exploring the possibilities of increasing medium-term agricultural lending.

Central Co-operative Banks

13. There are 16 central co-operative banks covering the 15 districts in the state. Of these, the Madras Central Co-operative Bank is not providing agricultural credit as its operations are confined to the city of Madras. Tanjore district has two banks. Some of the major indicators of the progress of the central co-operative banks during the last three years are given in Table 3.

14. A distinguishing feature of the working of the central co-operative banks in Tamil Nadu is that unlike many of their counterparts in the country, their recovery performance is very good, the percentage being

TABLE 3

Rs Lakhs

Sr. No.	Particulars	As at the end of June		
		1973	1974	1975
1.	No. of banks	16	16	16
2.	No. of offices	314	351	354
3.	Paid-up capital	1,481.53	1,647.72	18,43.93
4.	Reserves and other funds	942.56	1,013.69	1,135.34
5.	Deposits	5,287.67	6,272.22	6,798.31
6.	Borrowings	3,807.60	4,177.69	6,963.45
7.	Working capital	11,955.62	13,621.30	16,769.50
8.	Loans advanced	9,192.01	10,675.88	14,046.25
9.	Loans and advances outstanding	9,453.41	10,639.89	13,578.69
10.	Overdues	621.03	641.88	910.87
11.	Percentage of recoveries to demand	92.0	94.0	91.4
12.	Short-term agricultural credit limits sanctioned by RBI	4,030.00	4,315.00	5,715.00

over ninety excepting in respect of Dharmapuri bank where the percentage was 50. The Dharmapuri bank is treated as a 'weak bank' and is under rehabilitation.

15. As may be observed from the table above, deposits, working capital and loan operations of the central co-operative banks have shown significant increases over the years. All banks had satisfied the conditions relating to the minimum level of advances to small farmers prescribed by the RBI.

16. Certain business data relating to the central co-operative banks in Tamil Nadu as compared to the corresponding all-India averages, given below, would indicate the progress of the banks in the state.

TABLE 4

Rs Lakhs

Sr. No.	Particulars	As on 30 June 1974 Central co-operative banks	
		Tamil Nadu	All-India
1.	Owned funds ..	166.34	82.29
2.	Deposits	392.01	210.73
3.	Borrowings ..	261.11	149.26
4.	Working capital	851.33	467.67
5.	Loans outstanding ..	664.99	314.00

Primary Agricultural Credit Societies

17. As on 30 June 1975, there were 5,066 primary agricultural credit societies covering all the villages in the state. The total membership of the societies was 36.55 lakhs and covered about 64 per cent of the cultivating households. Major indicators of the working of the societies are given below :

TABLE 5

Sr. No.	Particulars	Rs Lakhs		
		1972-73	1973-74	1974-75
1.	No. of societies	5,301	5,184	5,066
2.	No. of members ('000s)	3,603	3,638	3,655
3.	Borrowing members ('000s)	808	858	977
4.	Paid-up capital	1,839	1,996	2,038
5.	Owned funds	2,915	3,250	2,815
6.	Deposits	639	769	724
7.	Borrowings	6,594	6,976	9,836
8.	Loans outstanding	8,304	8,443	11,222
9.	Overdues	2,287	2,330	2,488
10.	Percentage of recoveries to demand	74.5	77.8	77.5

18. The impressive progress recorded by the primary societies in Tamil Nadu may be evident from the table below :

TABLE 6

Sr. No.	Particulars	1973-74 (Average per society)	
		Tamil Nadu*	All-India
1.	Membership	680	227
2.	Borrowing membership	152	85
3.	Working capital (Rs. in '000s)	227	103
4.	Loans advanced (Rs. in '000s)	147	49
5.	Loans advanced per borrowing member (Rs.)	965	581

*Data relate to 1972-73.

19. Agricultural production credit potential for the state as a whole is estimated to be about Rs 142 crores and at the rate of a minimum level of business of Rs 2 lakhs per society, the state can have over 7,000 societies. As such, there is no need for reduction in the number of

societies. The total loans outstanding (including medium-term) had already reached a level of over Rs 112 crores by the end of 1974-5. In spite of this, only 2,452 societies were viable and as many as 2,516 were only potentially viable. There was some amount of regional imbalance in the business growth of the primary societies. The average amount of loans outstanding per society as on 31 December 1974 exceeded Rs 2 lakhs in the districts of North Arcot, Salem, Nilgiris, South Arcot, Thanjavur, Tiruchirapalli, Madurai and Ramanathapuram whereas the average was between Rs. 1.1 lakhs and Rs 1.6 lakhs in Dharmapuri, Coimbatore, Chingleput, Tirunelveli and Kanyakumari districts. The number of societies with loan business of less than Rs 1 lakh was high in the districts of Dharmapuri (201), Coimbatore (232), Chingleput (288), South Arcot (189), Madurai (123), Ramanathapuram (186) and Tirunelveli (211). At the instance of the RBI, Co-operation Department had drawn up a programme under which it was proposed to raise the loan business of societies where the same was between Rs 1 lakh and Rs 2 lakhs to a level beyond Rs 2 lakhs by 1975-6 and raise the loan business of societies with less than Rs 1 lakh to Rs 1 lakh by 1975-6 and Rs 2 lakhs by 1976-7. The progress made upto 31 March 1976 showed that there were still 2,000 societies with loan business of less than Rs 2 lakhs as on 31 March 1976. The average loan business was reported to be still less than Rs 2 lakhs in the areas of Kancheepuram, Coimbatore, Dharmapuri, Kanyakumari, Pudukkottai and Tirunelveli central co-operative banks.

Long-term Credit Structure

20. As stated earlier, the long-term credit structure in Tamil Nadu was federal consisting of the state land development bank and 223 primary land development banks.

State Land Development Bank

21. The erstwhile Madras province was the second province to have set up special land mortgage banks in the country as early as in 1925. The initial efforts were towards starting primary banks which raised resources on their own. This was followed by the setting up of a central land mortgage bank in 1929. The Tamil Nadu State Co-operative Land Development Bank (known as Madras Central Co-operative Land Mortgage Bank till recently) was thus one of the pioneers in the field of long-term lending in the country and had registered significant growth over the years. Certain major indicators of the bank's progress are given in Table 7.

TABLE 7

Sr. No.	Particulars	Rs Lakhs		
		As at the end of June		
		1973	1974	1975
1.	Paid-up capital	636	677	703
2.	Reserves	264	368	534
3.	Debentures (outstanding)	12,817	14,666	15,844
4.	Loans advanced during the year ..	2,270	1,615	1,856
5.	Loans outstanding at end of the year	10,299	10,652	11,913
6.	Percentage of recoveries to demand	96.1	94.9	90.2
7.	Overdues	52	43	196
8.	Profit	109	152	173

22. The bank has a fairly sound owned funds base and, as a result of this, it has been able to utilize its own disposable resources for making advances; the interim accommodation sanctioned by the State Bank of India, the state co-operative bank and certain central co-operative banks is rarely made use of.

23. In 1973-4, the bank occupied the third place in the country in availing of the ARDC assistance; in the following year, it slid to the eighth place. During 1973-4 there was nearly a thirty per cent decline in the bank's disbursements; on account of electric power cut and scarcity of diesel oil, the bank had imposed a virtual embargo on minor irrigation investments, which normally constitutes the bulk of its lendings. The bank has, however, turned the corner after the Tamil Nadu Electricity Board came forward to provide electric connections, in a phased programme, in respect of wells financed by the primary land development banks. Disbursements during 1974-5 have improved *vis-a-vis* those in the preceding year.

24. The bank has proceeded in the direction of setting up an evaluation cell for studying and assessing the qualitative achievements of its productive lendings, identifying operational deficiencies and bottlenecks, and suggesting remedial measures. The bank has also recently set up an inspection cell for conducting inspection of the primary banks.

25. Till recently the bank has been placing heavy reliance on the technical staff provided by the state government. The bank has now appointed in some of its branches its own staff as technical supervisors with technical qualifications and field experience. Even in the matter of

appraisal, a change is discernible following sanction under IDA Projects; an appraisal team consisting of the bank's supervisor, valuation officer (Co-operative Sub-Registrar) and the technical supervisor now inspects the land offered as security and proposed to be developed for determining financial viability and technical feasibility of the project. Verification of utilization, however, is being mostly done by the Co-operative Sub-Registrars.

26. The advances of the bank were mostly for identifiable productive purposes such as minor irrigation, farm mechanization, etc. Further, lendings under special area development schemes were more than under normal debenture programmes.

Primary Land Development Banks

27. As indicated earlier, there were as many as 223 primary land development banks functioning in the state. The area of operation of most banks was co-terminous with a block. In terms of coverage, the membership at 484 thousands formed only 9 per cent of the rural households and 13 per cent of the membership of primary agricultural credit societies. The progress in the working of these banks is given below :

TABLE 8

Rs Lakhs

Sr. No.	Particulars	As at the end of June		
		1973	1974	1975
1.	Membership ('000)	475	477	484
2.	Paid-up capital	852	934	1,046
3.	Loans issued during the year	2,351	1,634	1,962
4.	Loans outstanding	10,814	10,939	12,062
5.	Percentage of recoveries to demand	78.7	80.0	52.7*
6.	Overdues	208	266	721*

*Excluding deferred demand.

28. As compared to the year 1972-3, the loans issued by the banks during the year 1973-4 recorded a substantial decline by Rs 717 lakhs or 30 per cent for the reasons stated elsewhere.

29. A large proportion of the beneficiaries of long-term credit issued by the land development banks in the state were small farmers as may

be seen from the following data (relating to the period from July 1969 to June 1974) :

TABLE 9

Size of holdings	No. of beneficiaries	Percentage to total
Upto 5 acres	91,634	68
5 to 10 acres	30,743	23
10 to 20 acres	11,386	8
Above 20 acres	2,141	1

30. The recovery performance of primary land development banks was very good till 1973-4. However, the recovery position received a serious set back in 1974-5 largely on account of drought conditions; the percentage of recovery sharply declined from 80 in 1973-4 to 60 in 1974-5. As a result more than 50 per cent of the banks (117 banks) had to either restrict or to cease their lendings under the credit regulations stipulated by ARDC/RBI. A classification of the banks according to their recovery performance is given below :

TABLE 10

Percentage of recoveries to demand	No. of banks in the category
75 and above	79
Between 65 and 75	27
Between 55 and 65	34
Between 45 and 55	28
Between 40 and 45	7
Below 40	48

31. After a notional reduction of the percentage of overdues by taking into account government share capital contribution received for the purpose, 106 banks were eligible for unrestricted lending and 69 banks were eligible for restricted lending. As many as fortyeight banks were ineligible for any programme.

ARDC Schemes

32. Upto 30 June 1975, the ARDC had sanctioned refinance for a total number of 156 schemes for implementation in the state through

the SLDB, the state co-operative bank and commercial banks. The total financial outlay, ARDC's commitments and total disbursements upto 30 June 1975 in respect of these schemes were Rs 75.27 crores, Rs 65.07 crores and Rs 50.19 crores, respectively. 96 schemes with outlays amounting to Rs 68.73 crores were to be implemented by the land development banks; as against ARDC's commitment (upon 30 June 1975) amounting to Rs 51.64 crores under the schemes, actual disbursements upto 30 June 1975 at Rs 47.51 crores showed a very good percentage (92 per cent) of utilization.

Viability of Societies

33. A picture of the viability of the societies after integration of short, medium and long-term credit is given in Statement 2. The pattern of recovery levels after integration is given in Statement 3.

Secretariat of the Committee

Bombay

5 May 1976

STATEMENT 1

FINANCIAL AND OTHER PARTICULARS RELATING TO CO-OPERATIVE CREDIT INSTITUTIONS IN TAMIL NADU
AS ON 30 JUNE 1975

Rs Lakhs														
Sr. No.	Type of institutions	No. of institutions	No. of branches	Paid-up share capital	Statutory reserve	Other reserves	Deposits	Borrowings	Working capital	Investments	Loans outstanding	Over dues	Demand during the year	Percentage of recoveries to demand
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1.	State co-operative bank	1	23	436.84	143.12	364.80	3478.83	4523.03	9207.56	1371.07	7376.18	9.90	289.52	96.6
2.	District central co-operative banks	16	354	1843.93	360.73	774.61	6798.31	6963.45	16769.50	2542.70	13578.69	910.87	10589.47	91.4
3.	Primary agricultural credit societies	5066	—	2038.21	776.94		724.38	9836.24	13383.64	NA	11222.35	2487.56	11041.28	77.5
4.	State land development bank	1	13	703.07	160.47	373.80	168.26	15844.02	17900.79	477.34	11912.92	195.62	1992.11	90.2
5.	Primary land development banks	223	89	1045.63	75.72		NA	11912.92	NA	NA	12061.69	721.04	1523.04	52.74

q Excluding deferred demand.

STATEMENT 2

VIABILITY OF PRIMARY AGRICULTURAL CREDIT SOCIETIES
AFTER INTEGRATION OF ST AND LT BUSINESS IN TAMIL NADU

As on 30 JUNE 1975			Rs Lakhs			
Sr. No.	Name of the district	No. of PACS	Average per Society			
			Existing ST loan business	Existing LT loan business	Combined business	Potential business (ST+LT)
1	2	3	4	5	6	7
1.	Coimbatore ..	552	2.32	3.49	5.81	7.43
2.	Nilgiris ..	78	3.98	1.05	5.03	9.68
3.	Dharmapuri..	290	1.18	2.20	3.38	5.35
4.	Kanyakumari	138	1.33	1.59	2.93	4.70
5.	Madurai	471	2.25	2.44	4.69	6.18
6.	Chingleput ..	541	1.05	1.81	2.86	3.99
7.	North Arcot	347	2.85	3.21	6.06	8.46
8.	Pudukkottai ..	138	1.69	2.54	4.23	7.15
9.	Ramanathapuram	433	1.85	2.08	3.93	5.83
10.	Salem ..	401	3.95	3.14	7.09	6.00
11.	South Arcot	455	2.12	2.28	4.40	6.75
12.	Thanjavur ..	520	2.47	1.57	4.04	5.97
13.	Tiruchirapalli	328	3.28	3.08	6.36	8.34
14.	Tirunelveli	364	1.43	2.05	3.48	7.16

STATEMENT 3

RECOVERY POSITION OF THE PRIMARY AGRICULTURAL CREDIT
SOCIETIES IN TAMIL NADU AFTER ST AND LT BUSINESS IS INTEGRATED
AS ON 30 JUNE 1975

Sr. No.	Name of the district	Percentage of recoveries to demand		Percentage of recoveries to demand (integrated unit) (ST + LT)
		ST	LT	
1	2	3	4	5
1.	Coimbatore	76	51	70
2.	Nilgiris ..	73	32	73
3.	Dharmapuri	40	59	44
4.	Kanyakumari	81	94	83
5.	Madurai ..	74	64	73
6.	Chingleput	63	53	61
7.	North Arcot	82	64	80
8.	Pudukkottai ..	91	41	84
9.	Ramanathapuram	75	41	73
10.	Salem ..	81	79	81
11.	South Arcot	83	65	81
12.	Thanjavur	91	92	91
13.	Tiruchirapalli	72	48	68
14.	Tirunelveli ..	71	50	67

UTTAR PRADESH

General Features

Uttar Pradesh is the fourth largest state in the country in terms of area and ranks first in terms of population. It has an area of 2.94 lakh sq. km. constituting about 9 per cent of India's total area and, according to 1971 census, its population was 88 million constituting 16.1 per cent of the country's total population. The density of population per sq. km. is 300 as against 182 for India as a whole. Rural population in 1,12,561 villages of the state formed 86 per cent of the total population.

2. The state is bound by Tibet and Nepal in the north, Himachal Pradesh in the north-west, Haryana, Punjab and Delhi in the south-west, Madhya Pradesh in the south and Bihar in the east. Geographically the state may be divided into 3 distinct regions. Himalayan region in the north, Gangetic plain in the centre and plateau in the south.

Agricultural Situation

3. The Himalayan region consisting of 8 districts is mountainous and thinly-populated; agricultural operations in this region are confined to river valleys and terraced hill slopes. The principal crops are rice and wheat and owing to relatively poor development of agriculture, it is backward. The alluvial Gangetic Plain covers a major portion of the state and is very fertile. Consequently, agriculture is well developed with 70 per cent of the area under cultivation and the principal crops are rice, wheat, millet, barely, gram and sugarcane. The southern region consists of Vindhya hills and plateau which are comparatively not well-suited for agricultural crops and is also not densely populated. 50 per cent of the area is under cultivation with jowar, gram and wheat as the principal crops. During 1970-71, the total cropped area in the state was 22.2 million hectares. Of this, 19.5 million hectares or 88 per cent were under food crops and the remaining 12 per cent under non-food crops. The state is a net exporter in rice, bajra, gram and pulses. It also exports large quantities of sugar, gur, khandsari and oilseeds.

4. Two-thirds of the population cultivate an area upto 2 hectares and only a small group of 5 per cent of the households cultivate holdings above 4 hectares. The size-wise distribution of operational holdings is given in Table 1.

TABLE 1

Size of holdings (in hectares)	Number of holdings		Area of holdings	
	(in lakhs)	Percentage to total	(in lakh hectares)	Percentage to total
1	2	3	4	5
Below 1	104.53	66.8	38.30	21.1
1—2	26.89	17.2	37.75	20.8
2—4	16.52	10.6	45.37	25.0
Above 4	8.45	5.4	60.16	33.1

Source: All-India Report on Agricultural Census, 1970-71.

Irrigation Facilities and Groundwater Potential

5. The state as a whole has excellent soils and vast surface and underground water resources. In irrigation, the state ranks fourth in the country following Punjab, Tamil Nadu and Haryana. 40 per cent of the cultivated area has irrigation facilities and 60 per cent depend upon vagaries of monsoon. Of the total irrigation facilities available in the state, 40 per cent is utilised for wheat, 10 per cent for rice, 11 per cent for sugarcane and 6 per cent for gram.

6. More than four-fifths of the net sown area fall under the high rainfall (75 cm. to 115 cm. or 30 to 45 inches) regions. Though the western region of the state receives less rainfall than the eastern region, water resources in relation to agriculture are better placed in the western region because of an excellent irrigation network initiated more than a century ago.

7. According to the Irrigation Commission, Uttar Pradesh has the largest surface and groundwater resources in the country, i.e., 151 lakh hectares or 87 per cent of the net sown area in 1970-71. About half of this potential was utilised in 1970-71. The Groundwater Investigation Organisation has calculated with reasonable assumptions that groundwater which is available through rainfall and percolation is 69.20 lakh hectare metres and the total recharge available for exploitation is 50.55 lakh hectare metres.

8. The total consumption of groundwater due to dugwells, pumpsets, shallow and deep tubewells during 1973 was 23.55 lakh hectare metres. At the same time, the Groundwater Investigation Organisation had identified a few pockets in six districts of the state, i.e., Aligarh, Badaun,

Bulandshahr, Meerut, Muzaffarnagar and Varanasi, where the water levels have gone down by about two metres due to excessive exploitation of groundwater.

Co-operative Credit Structure

9. The co-operative credit structure in Uttar Pradesh for short-term and medium-term consists of the State Co-operative Bank, 56 district central co-operative banks and 21,933 primary agricultural credit societies. The Uttar Pradesh Rajya Sahakari Bhumi Vikas Bank Ltd., with 208 branches catered to the long-term requirements of the agriculturists. The financial particulars of the credit agencies functioning in the short-term and long-term wings of the co-operative credit structure as on 30 June 1975 are furnished in Statement 1.

State Co-operative Bank

10. The Uttar Pradesh Co-operative Bank Ltd., is the apex bank in the short-term wing to which 56 central co-operative banks are affiliated. The bank had 14 branches. 56 central co-operative banks, 536 other co-operative societies and the state government comprised the membership of the bank. For supervision of the affiliated central co-operative banks, the bank had 5 regional offices at Lucknow, Kanpur, Gorakhpur, Bareilly and Meerut. The progress made by the bank during the last 3 years ended 30 June 1975 is given below :

TABLE 2

Sr. No.	Particulars	Rs Lakhs		
		30-6-1973	30-6-1974	30-6-1975
1.	Paid-up capital	572.35	584.82	605.51
2.	Reserves and other funds	584.18	614.91	702.05
3.	Deposits	4,168.79	4,904.77	5,517.26
4.	Borrowings (outstanding)	3,215.60	2,751.14	3,343.14
5.	Loans and advances outstanding	6,904.32	7,324.38	8,292.83
6.	Overdues	203.45	232.90	373.34
7.	Percentage of recoveries to demand	96.0	95.7	93.7
8.	Profit earned during the year	35.85	72.24	91.82

The loan policies and procedures followed by the bank were generally in accordance with the banking norms prescribed by the Reserve Bank of India.

Central Co-operative Banks

11. The number of central co-operative banks which was 65 in 1951-2 had been brought down to 56 through a programme of rationalisation. The central co-operative banks had, as on 30 June 1975, a total number of 655 branches. 22 out of the 56 banks were weak as on 30 June 1975. A statement showing the trends in the growth of deposits, lendings and position of overdues, etc. during the last three years is given in the following table :

TABLE 3

Sr. No.	Particulars	Rs Lakhs		
		As at the end of June		
		1973	1974	1975
1.	No. of banks	56	56	56
2.	No. of offices	606	631	655
3.	Paid-up Capital	2,337.62	2,562.52	2,752.60
4.	Reserves	654.33	707.19	780.18
5.	Deposits	6,169.79	6,982.41	7,539.35
6.	Borrowings	5,053.52	5,420.70	5,714.42
7.	Loans and Advances	10,583.69	11,543.02	12,475.06
8.	Overdues (Total)	5,024.39	6,305.77	7,370.71
9.	Percentage of recoveries to demand during the year	56.0	54.0	51.0

12. The most disquieting feature in the operations of these banks in the state was the increasing trend of their overdues. The total overdues increased from Rs 50.24 crores at the end of 1972-3 to Rs 73.71 crores as on 30 June 1975 and formed 49 per cent of the demand. Almost half of the banks were having overdues above 40 per cent.

13. There had been a steep fall in the issue of short-term loans by central co-operative banks mainly due to their incapacity to obtain financial assistance from the Reserve Bank of India. In regard to medium-term loans the banks had not rationalised their medium-term loan policy and loans were issued largely for unidentifiable productive purposes and for inadequate amounts without keeping in view the cost of implements/projects involved.

14. A comparative picture of the business operations of the central co-operative banks in Uttar Pradesh with those in the country as a whole as on 30 June 1974 is given in Table 4.

TABLE 4

Sr. No.	Particulars	Rs Lakhs	
		Average per bank	
		Central banks in Uttar Pradesh	Central banks in India
1.	Owned funds	58.39	82.29
2.	Deposits	124.69	210.73
3.	Outstanding Borrowings	96.80	149.26
4.	Working Capital	297.10	467.67
5.	Loans outstanding (total)	206.13	341.00
6.	Short-term agricultural loans issued (for seasonal agricultural operations and marketing of crops) ..	137.49	222.99

15. 22 banks were under a programme of rehabilitation under Central Sector Scheme. The state government/banks had not so far drawn up a programme of rehabilitation for any of the weak banks such as laying down specific programmes for recovering bad and doubtful debts, etc. Some of the banks had, however, completed the investigation of overdues.

Primary Agricultural Credit Societies

16. As on 30 June 1974, there were 21,933 primary agricultural credit societies in the state of which 21,810 were with limited liability and 123 were with unlimited liability. Of the total number of primary societies, 4,443 were State-partnered. All the villages in the state were covered by agricultural credit societies. However, the membership of the societies was only 67.20 lakhs of which only 29.81 lakhs were borrowing members forming 87.7 per cent and 39.0 per cent, respectively of rural house-holds. The position of overdues had been showing a continuous deterioration since 1969-70. The total overdues of the primary societies increased from Rs 27.70 crores in 1969-70 to Rs 53.32 crores at the end of 1972-3 and further to Rs 76.08 crores as on 30 June 1975.

17. The programme of re-organisation of primary agricultural credit societies in the state was taken up in 1964-5 when there were 45,501 societies. As per the programme drawn up, the existing societies were to be re-organised into 20,000 viable/potentially viable societies by 31 March 1972.

18. The state government have also decided recently that the finance to cane-growers, which was till recently provided through cane unions,

would, hereafter, be made available through the PACS and that the cane unions would have an advisory and developmental role.

19. The credit potential in the state would broadly be of the order of Rs 375 crores and the state could sustain a total number of 17,000 societies or so, on the basis that each society would have a loan business of Rs 2 lakhs. To improve the viability of primary agricultural credit societies, the state government has agreed that in the area of co-operative sugar factories which had been recently established, no new cane unions would be organised and the responsibility for integrating the cane development programmes with the activities of the primary agricultural credit societies would be that of sugar factories. In the case of old factories where the cane unions have been functioning quite satisfactorily, the above responsibility would be that of the unions.

20. Certain data relating to the working of the primary societies in the state are given below :

TABLE 5

Sr. No.	Particulars	Total for all societies	Average per society Position for 1973-74	
			Uttar Pradesh	All-India
1.	Membership .. (Nos.)	64.60 lakhs	281	227
		Rs lakhs	Rs	Rs
2.	Borrowing members	22.49	98	85
3.	Paid-up capital	3,232.95	14,055	17,623
4.	Deposits	580.89	2,525	577
5.	Borrowings	10,619.46	46,168	5,937
6.	Working capital	18,039.23	78,425	1,02,743
7.	Loans outstanding	11,746.61	51,068	68,590
8.	Loans advanced	7,268.92	31,601	49,276
9.	Loans advanced per borrowing member ..	—	323	581

21. In the context of severe contraction in the production credit disbursed by co-operatives in Uttar Pradesh during the last several years, mainly due to the high level of overdues, inadequate internal resources of co-operative banks, ineffective supervisory arrangements, defective loan policies, etc., the Reserve Bank proposed in March 1973, a Master Plan for improving the availability of agricultural credit through co-operatives in the state. The plan envisaged generating a much larger volume of resources by strengthening the co-operative credit system with the

injection of additional share capital providing long-term loans or deposits to central co-operative banks, increasing the membership by granting medium-term loans to non-member cultivators to enable them to purchase shares in primary credit societies, activating non-borrowing members and by making a concerted drive for recovery of overdues. The progress made in this direction is not satisfactory. The total amount advanced to agriculture by primary agricultural societies was Rs. 65.33 crores during 1973-4 as against a programme of Rs 140 crores to be achieved by the end of 1972-3. Out of 23.83 lakh dormant members estimated as at the end of 1972-3, only 4.19 lakhs had been activated till 30 June 1974. Delay in re-organisation of primary credit societies and persistence of high level of overdues were mainly responsible for tardy progress in the implementation of the plan.

Long-term Credit Structure

22. The long-term wing of the co-operative credit structure is unitary in character. For providing long-term loans, Uttar Pradesh Rajya Sahakari Bhumi Vikas Bank was registered on 12 March 1959 and commenced functioning from May 1960. The bank had 208 branches as on 30 June 1975. All but 26 out of a total of 234 tehsils had a branch of the bank, while three out of eight hill districts, viz., Uttarkashi, Chamoli and Pithoragarh had no branches of the bank. In 1973-4, it had 595 thousand members. In terms of coverage, this membership constituted hardly 4 per cent of the rural households and 9 per cent of the membership of the primary agricultural credit societies. This pointed to the need for widening the base of coverage. Broad indicators of the bank's working are given below:

TABLE 6

Sr. No.	Particulars	Rs Lakhs		
		1972-73	1973-74	1974-75
1.	Paid-up capital	974.74	1,107.07	1,270.77
2.	Reserve fund	108.59	249.03	414.92
3.	Deposits	162.39	94.86	73.69
4.	Borrowings	14,063.84	16,454.28	18,107.37
5.	Working capital	15,485.87	18,965.02	21,990.46
6.	Loans issued during the year	3,147.31	2,550.92	3,042.60
7.	Loans outstanding	13,070.10	13,645.72	15,463.32
8.	Overdues	218.22	256.89	381.89
9.	Percentage of recoveries to demand	74.7	79.0	76.1
10.	Profit	228.93	278.54	341.53

23. In the first few years of its establishment, the bank did not make significant progress in the business. However, in the last few years, particularly from 1971-2 onwards the bank has made tremendous progress in its loan business, by availing of refinance facilities from ARDC. During the last three years, the SLDB occupied the first place in the country in availing of ARDC assistance. In 1974-5, the percentage utilization of refinance from ARDC was 76 as against the all-India average of 69. Minor irrigation formed a substantial portion of the loans issued by the bank.

24. As on 30 June 1975 its working capital stood at Rs 219.90 crores while its deposits aggregated Rs 0.74 crore only. The total loans outstanding stood at Rs 154.63 crores of which a sum of Rs 3.82 crores was overdue.

25. The recovery position in regard to its branches is indicated in the following table:

TABLE 7

Recovery as percentage of demand	No. of branches
75 per cent or over	123
65 per cent to 75 per cent	48
55 per cent to 65 per cent	16
45 per cent to 55 per cent	9
Below 45 per cent ..	4
Below 30 per cent ..	1
Not reported ..	7
Total	208

26. It may be observed from the table above, that out of 201 reporting branches, 171 branches (85 per cent) were eligible for unrestricted lending programme. The remaining 37 branches had restricted lending while only one branch did not qualify for any lending programme.

ARDC Schemes

27. As on 30 June 1975 ARDC had sanctioned 259 schemes involving a total financial assistance of Rs 161.23 crores. ARDC's commitments

under these schemes stood at Rs 141.74 crores. The share of the SLDB in the total programme amounted to Rs 115.56 crores representing 71.7 per cent of the total programme. As against the expected drawal of refinance assistance of Rs. 61.69 crores from the ARDC, SLDB's drawal amounted to Rs 47.17 crores (76.5 per cent).

Viability of Societies

28. The viability of societies and recovery position after integration of business are indicated in Statements 2 and 3.

Secretariat of the Committee

Bombay

25 May 1976

STATEMENT 1

FINANCIAL AND OTHER PARTICULARS RELATING TO CO-OPERATIVE CREDIT INSTITUTIONS IN UTTAR PRADESH
AS ON 30 JUNE 1975

Rs Lakhs													
Sr. No.	Type of institutions	No. of institutions	No. of branches	Paid-up capital	Statutory and other reserves	Deposits	Borrowings	Working capital	Investments	Loans outstanding	Overdues	Demand during the year	Percentage of recoveries to demand
1	2	3	4	5	6	7	8	9	10	11	12	13	14
1.	State co-operative bank	1	14	605.51	702.05	5517.26	3343.14	10180.55	1433.42	8292.83	373.34	5967.33	93.7
2.	District central co-operative banks ..	56	635	2732.60	780.18	7539.35	5714.42	17663.00	979.00	12475.06	7370.71	15697.00	51.0
3.	Primary agricultural credit societies ..	21933	—	3507.29	740.10	632.88	11544.20	19846.66	2353.11	12653.03	7607.76	14182.00	46.3
4.	State land development bank	1	208	1270.77	414.92	73.69	18107.37	21990.46	4664.28	15463.32	381.89	3167.61	76.1

STATEMENT 2

VIABILITY OF PRIMARY AGRICULTURAL CREDIT SOCIETIES AFTER
INTEGRATION OF ST AND LT BUSINESS IN UTTAR PRADESH

As on 30 June 1976

Rs Lakhs

Sr. No.	Name of the district	No. of PACS	Average per Society			
			Existing ST loan business	Existing LT loan business	Combined business	Potential business (ST+LT)
1	2	3	4	5	6	7
1.	Agra	835	0.21	0.63	0.84	1.49
2.	Aligarh	454	0.46	1.48	1.94	3.59
3.	Almora	131	0.55	0.05	0.60	1.35
4.	Allahabad	940	0.36	0.43	0.79	1.35
5.	Azamgarh	839	0.26	0.22	0.48	1.24
6.	Bahraich	307	0.43	0.67	1.09	2.99
7.	Ballia	517	0.33	0.27	0.60	1.18
8.	Banda	230	0.66	0.23	0.89	3.54
9.	Gonda (Ballia)	731	0.35	0.45	0.80	1.60
10.	Barabanki	354	0.40	0.95	1.35	2.55
11.	Basti	630	0.63	0.62	1.25	2.41
12.	Bijnor	172	2.55	3.77	6.32	9.54
13.	Sitapur	448	0.37	0.87	1.24	2.38
14.	Bulandshahr	466	1.04	1.05	2.10	3.18
15.	Bareilly	420	0.83	0.96	1.79	3.68
16.	Dehradun	98	1.55	0.12	1.67	1.20
17.	Deoria	872	0.90	0.25	1.15	1.24
18.	Etah	203	0.79	1.89	2.68	8.27
19.	Etawah	447	0.41	0.55	0.96	3.13
20.	Faizabad	493	0.23	0.60	0.83	1.81
21.	Farrukhabad	418	0.41	0.97	1.38	2.64
22.	Fatehpur	234	0.79	1.32	2.10	3.82
23.	Pauri Garhwal	386	0.18	negligible	0.18	0.65
24.	Ghazipur	602	0.32		0.25	0.57	1.11
25.	Gorakhpur	784	0.37	0.25	0.62	1.57
26.	Hamirpur	363	0.24	0.17	0.41	2.38
27.	Hardoi	391	0.52	1.25	1.77	4.48
28.	Budaun	360	0.88	1.61	2.49	4.85
29.	Jalaun	272	0.52	0.22	0.74	2.77
30.	Jaunpur	656	0.37	0.56	0.93	1.52
31.	Jhansi	296	0.37	0.12	0.49	10.23
32.	Kanpur	580	0.17	0.80	0.97	5.18
33.	Lakhimpur Kheri	156	1.63	2.47	4.10	6.31
34.	Mainpuri	468	0.34	0.73	1.07	3.18
35.	Mathura	371	0.83	1.00	1.83	3.60

STATEMENT 2 (Contd.)

VIABILITY OF PRIMARY AGRICULTURAL CREDIT SOCIETY AFTER
INTEGRATION OF ST AND LT BUSINESS IN UTTAR PRADESH

As on 30 June 1976

Rs Lakhs

Sr. No.	Name of the district	No. of PACS	Average per Society			
			Existing ST loan business	Existing LT loan business	Combined business	Potential business (ST+LT)
1	2	3	4	5	6	7
36.	Meerut	470	1.36	1.29	2.65	3.78
37.	Mirzapur	331	0.60	0.28	0.88	2.14
38.	Lucknow	282	0.34	0.56	0.90	1.70
39.	Moradabad	454	1.45	1.35	2.80	3.66
40.	Muzaffarnagar	315	1.46	1.13	2.59	2.91
41.	Nainital	119	1.54	1.13	2.67	6.62
42.	Pratapgarh	553	0.41	0.45	0.86	1.38
43.	Rae Bareilly	313	0.54	1.25	1.79	4.47
44.	Saharanpur	414	1.24	1.21	2.45	4.94
45.	Rampur	94	1.42	3.62	5.04	13.63
46.	Shahjahanpur	345	0.49	1.22	1.70	5.93
47.	Sultanpur	502	0.26	0.44	0.70	1.75
48.	Tehri Garhwal	185	0.50	negligible	0.50	0.83
49.	Unnao	381	0.32	0.99	1.32	3.66
50.	Varanasi	851	0.40	0.28	0.68	1.31
51.	Pilibhit	88	2.00	2.12	4.12	12.76
52.	Lalitpur	111	0.30	0.22	0.52	NA

Note: Information in respect of Chamoli, Pithoragarh and Uttarkashi districts is not readily available.

STATEMENT 3

RECOVERY POSITION OF PRIMARY AGRICULTURAL CREDIT SOCIETIES IN UTTAR PRADESH
AFTER THE SHORT-TERM AND LONG-TERM BUSINESS IS INTEGRATED

As on 30 June 1975

Sr. No.	Name of the district	Percentage of recoveries to demand		Percentage of recoveries to demand (integrated credit) (ST + LT)
		ST	LT	
1	2	3	4	5
1.	Agra	46	68	58
2.	Aligarh ..	51	89	63
3.	Almora	41	27	40
4.	Allahabad	47	82	53
5.	Azamgarh	57	79	59
6.	Bahraich	43	67	48
7.	Ballia	44	77	48
8.	Banda	47	80	49
9.	Gonda (Ballia)	23	60	33
10.	Barabanki	60	51	57
11.	Basti	38	67	43
12.	Bijnor	60	68	62
13.	Sitapur	40	53	45
14.	Bulandshahr	63	88	67
15.	Bareilly	43	78	50
16.	Dehradun	75	97	75
17.	Deoria	44	66	45
18.	Etah	7	83	34
19.	Etawah	50	78	55
20.	Faizabad	50	73	56
21.	Farrukhabad	57	76	62
22.	Fatehpur	68	86	73
23.	Ghazipur	35	79	40
24.	Gorakhpur	34	76	39
25.	Hamirpur	41	89	45
26.	Hardoi ..	39	63	53
27.	Budaun ..	34	81	44
28.	Jalaun ..	51	89	53
29.	Jaunpur ..	44	78	51
30.	Jhansi ..	30	72	32
31.	Kanpur ..	46	80	60
32.	Lakhimpur Kheri	43	59	47
33.	Mainpuri	50	80	60
34.	Mathura	33	67	39
35.	Meerut	41	91	50

STATEMENT 3 (Contd.)

RECOVERY POSITION OF PRIMARY AGRICULTURAL CREDIT SOCIETIES IN UTTAR PRADESH
AFTER THE SHORT-TERM AND LONG-TERM BUSINESS IS INTEGRATED

As on 39 June 1975

Sr. No.	Name of the district	Percentage of recoveries to demand		Percentage of recoveries to demand (integrated credit) (ST + LT)
		ST	LT	
1	2	3	4	5
36.	Mirzapur	36	76	38
37.	Lucknow	40	73	48
38.	Moradabad	60	76	63
39.	Muzaffarnagar	65	97	67
40.	Nainital	76	82	77
41.	Pratapgarh	51	89	58
42.	Rae Bareli	44	82	55
43.	Saharanpur	58	83	61
44.	Rampur	66	72	68
45.	Shahjahanpur	39	66	48
46.	Sultanpur	46	78	51
47.	Unnao	37	67	45
48.	Varanasi	44	71	48
49.	Pilibhit	46	85	53
50.	Lalitpur	30	96	36

Note: Information in respect of Chamoli, Pithorgarh, Pauri Garhwal, Tehri Garhwal and Uttarkashi districts is not readily available.

SPECIAL STUDY NOTES

EFFECT OF LONG-TERM LOAN OVERDUES ON PRIMARY AGRICULTURAL CREDIT SOCIETIES*

INTRODUCTION

1.1 At the instance of the Committee, the Regional Offices of the Agricultural Credit Department of the Reserve Bank of India at Ahmedabad, Bangalore and Trivandrum conducted quick sample studies regarding the effect of overdues of PLDB on the PACS when integration of credit functions takes place at the primary level. These studies were conducted in April and May 1976. For the purpose of the studies, the ACD selected two branches of SLDB in Gujarat and one PLDB each in Karnataka and Kerala states, where the percentage of overdues to demand in respect of long-term loans granted by the SLDB branch or PLDB, as the case may be, as on 30 June 1975 was the highest. Further, in the jurisdiction of each one of these PLDB/branches of SLDB, 20 PACS were selected for intensive study, in such a manner that the area of operation of these PACS covered a large proportion of overdues of LDB as well as the PACS. The purpose of the study was mainly to find out to what extent the overdues of the short-term and long-term wings would affect the eligibility of the PACS in obtaining fresh finance for investment credit, if the existing business of the PLDB were transferred to the respective PACS.

1.2 The broad conclusions that emerge from the findings of the three special studies and the data collected by the ACD are that integration of credit functions at primary level would improve the eligibility of the PACS for long-term lending programme rather than reduce it. When integration takes place, the overdues of the PLDB will be distributed amongst the various PACS and only a few societies will be ineligible for new business. A number of societies operating in the villages where recovery of loans is good would be in a position to provide long-term loans without difficulty. Further, in a large number of cases, the eligibility of the PACS for long-term lending programme is likely to improve when compared to the eligibility of the PLDB as a whole, on account of an improvement in overall recovery percentages after integration.

1.3 The major findings of the studies and the conclusions emerging from the data collected during the studies are given in the following

* Summary prepared by the Secretariat of the Committee.

paragraphs in a summary form, in the chronological order in which the study results were submitted to the Committee. Statistical data collected by the ACD are given in Statements 1 to 4.

1.4 An analysis of the overdues position in the areas of the selected societies in respect of short and medium-term loans and long-term loans, separately, as also the combined credit business (of all loans) has been attempted in this summary. The analysis is done in two ways, viz., (i) distribution of societies/areas of societies according to slabs of overdues percentages and (ii) actual benefits or otherwise after integration on the basis of overdues position (society-wise).

KERALA

Selection of PLDB and PACS

2.1 In Kerala, the Wynad Co-operative Land Mortgage Bank Ltd., Panamaram, and 20 societies covered in the area of operation of this PLDB were selected for the study. These 20 PACS accounted for 89.3 per cent of the total loans outstanding against members in respect of all the societies in the area of PLDB and for 87.6 per cent of the total overdues of all such societies. In their areas of operation, the outstanding long-term loans of the PLDB formed 74.7 per cent of the PLDB's total loan outstandings; the overdues in respect of these loans formed 87.0 per cent of the total overdues of the PLDB. The percentage of overdues of the PLDB as a whole was as high as 49.8 per cent as on 30 June 1975 making it ineligible to borrow funds for long-term lending in an unrestricted manner.

Analysis of the Data

2.2 Table 1 classifies the societies according to the range of overdues in respect of short and medium-term and long-term business.

2.3 It may be observed from Table 1 that 4 PACS had overdues less than 25 per cent of the demand (ST and MT credit) and in the area of only one PACS the overdues under long-term loans were less than 25 per cent. After integration, the number of PACS with overdues below 25 per cent will continue to be 4. This indicates that as a result

TABLE 1

Range of overdues (as percentage of demand) according to eligibility norms for long-term lending	According to existing ST & MT overdues	According to LT overdues	According to overdues of combined business
	No. of PACS	No. of PACS falling in the PLDB area	No. of PACS
1	2	3	4
25 per cent and below ..	4	1	4
26 to 35 per cent	3	1	3
36 to 45 per cent ..	3	1	3
46 to 55 per cent ..	1	1	1
56 to 60 per cent	—	3	1
Above 60 per cent	9	13	8

of integration, i.e., after the credit business is taken over by PACS, more areas covered by the present PLDB will qualify for long-term credit.

2.4 The number of PACS with overdues between 25 and 60 (ST and MT credit) was 7, whereas overdues in respect of long-term loans granted in the jurisdiction of 6 PACS ranged between 25 and 60 per cent resulting in restricted eligibility for long-term lending. In the combined position, the number of PACS eligible for restricted lending increases to 8. If the range of overdues above 60 per cent is taken into account, i.e., the level where the eligibility for long-term lending is nil, it is observed that at present the areas covered by 13 PACS have been deprived of long-term credit, whereas after integration, only 8 societies would have no eligibility. This shows that cultivators in the areas covered by five PACS, who were earlier deprived of long-term loans could be granted investment credit after integration.

2.5 Statement 1 shows the position in respect of each individual society selected for the study. This statement indicates that, in a majority of cases, the percentage of overdues to demand in the long-term wing is much more than the percentage of overdues to demand of the PACS in respect of its existing short-term and medium-term business. In spite of this, in the combined position, the overdues of the PACS show increases only marginally by less than 2 per cent; only in 3 out of 20 societies, the combined position shows increase in overdues to demand

by 4 to 6 percentage points. In five out of 20 cases, there is a reduction in the percentage of overdues to demand in the combined position; in one case, the reduction is by as much as 8 percentage points.

2.6 It can be concluded from the above analysis, that on the whole, integration of credit functions at primary level will be helpful to increase the investment credit business in Kerala state and at the same time, production credit business will not be affected by it.

KARNATAKA

Selection of PLDB and PACS

3.1 The Bangalore Regional Office of ACD selected for study, the Manvi PLDB whose overdues as on 30 June 1975 were as high as 62 per cent. In the area of operation of this PLDB, 20 PACS were selected for intensive study as in other cases. The percentage of overdues to demand in respect of short-term and medium-term credit provided by these PACS was also very high, in a majority of cases ranging between 72 and 100 per cent. Thus in both the wings, the position of overdues was very unsatisfactory.

Analysis of the Data

3.2 In the area covered by all the 20 PACS, no long-term lending by PLDB was possible as its overdues exceeded the limit of 60 per cent of demand. Even after the overdues of long-term loans are distributed amongst the 20 PACS, overdues in respect of long-term loans granted in the area covered by 18 PACS range between 61 per cent and 90 per cent of demand. In respect of long-term loans granted in villages covered by 2 PACS, the percentage of overdues (LT credit) is comparatively lower at 53 per cent. In the villages served by these two PACS, the percentages of overdues of the PACS in respect of their existing business of ST and MT credit were as high as 75 and 100. The combined position in regard to these PACS showed that the overdues could be brought down substantially to 65 and 68 per cent, respectively, though, on account of heavy overdues in both the wings, none of these PACS would still be eligible to obtain long-term funds from RBI and ARDC for investment credit. The general trend in the combined

position showed that the percentage of overdues to demand would be lower by as much as 5 to 32 points, depending upon the relative overdues position of the ST and LT wings. In 3 cases, however, the percentage of overdues showed increases by 2 to 6 points, mainly on account of the relatively high overdues in respect of loans granted by PLDB as compared to the ST and MT loans granted by the PACS. In 2 cases, the increases were sharp, viz., 18 and 31 percentage points, on accounts of the fact that overdues under the long-term loans both in terms of quantum and percentages were substantially larger than the overdues under the short-term and medium-term credit. (Please see Statement 2).

3.3 The study made in Karnataka showed in general, that the ability of the PACS to provide finance for investment credit would not improve on account of the heavy overdues in both the wings, following drought conditions prevailing in the Manvi taluk during the years 1973-4 and 1974-5. Till such time, the overdues position improves substantially, the villages covered by PACS would benefit by flow of production or investment credit, as the case may be, if the norms of determining the eligibility of PACS for such credit are kept separately for some time.

GUJARAT

Selection of PLDB and PACS

4.1 In Gujarat state, two branches of the SLDB, viz., Viramgam and Dhandhuka and 20 PACS each operating in the areas of the two selected SLDB branches were taken up for intensive study. The percentages of overdues to demand of the two SLDB branches as on 30 June 1975 were as high as 68 and 82; the overdues in respect of short and medium-term credit at the level of the selected PACS ranged between 18 and 100 per cent of demand.

Analysis of the Data

4.2 As in the case of Kerala state, the overdues position of the two wings in the area of the selected societies has been classified in the following table according to the range of overdues percentages, in terms of the eligibility norms prescribed for long-term lending.

TABLE 2*

Range of overdues (as percentage of demand) according to eligibility norms for LT lending				As per existing ST & MT overdues	As per LT overdues	According to overdues of combined business
				No. of PACS	No. of PACS	No. of PACS
25 per cent and below	..	..	..	1	—	1
26 to 35 per cent	..	..	..	2	—	1
36 to 45 per cent	..	..	..	2	—	3
46 to 55 per cent	..	..	..	8	1	5
56 to 60 per cent	..	..	..	2	2	5
Above 60 per cent	..	..	..	21	33	21

* 4 societies have been omitted from the Table as no long-term lending has been reported in their areas of operation.

4.3 It would be observed from the table above that out of 36 societies, only in the area of operation of 3 societies long-term lending was possible during the year 1974-5, that too to a restricted extent, and as many as 46 villages covered by 33 societies were outside the purview of long-term credit. In the combined position, however, while the area of one PACS could have become eligible for unrestricted long-term lending, villages covered by 14 PACS would have qualified for restricted lending. The number of PACS in whose jurisdiction no long-term lending would have been possible by co-operatives on account of high overdues, would have been reduced from 33 to 21, if PACS had taken over long-term business. These results lead to the conclusion that as a result of integration, more number of villages would be covered under long-term credit by the co-operative credit institutions than at present.

4.4 The society-wise break-up of the overdues position also disclosed that, in a majority of cases, there would have been no adverse effect on the PACS if they had taken over the existing long-term credit business. (Please see Statements 3 and 4). Wherever, the percentage of overdues to demand of the long-term credit business was low as compared to that of short and medium-term credit, the overall overdues percentages of the combined business showed declining trend. This was particularly noticed in the case of 6 PACS in Viramgam taluka and 5 PACS in Dhandhuka taluka. In the case of villages covered by 23 PACS although the overdues position of long-term wing was quite high as compared to short-term wing, the combined position does not show adverse trend; the existing percentages of overdues in respect of the PACS functioning in these villages, which ranged between 18 and 89, showed only marginal increases by less than 2 percentage points. Only in 3 cases in

Viramgam taluka, the percentage of overdue of PACS showed increases by about 5 points; this, however, would not materially affect the eligibility of PACS for long-term lending, as percentage of overdue in the combined position fell within the same range of overdue covering the existing overdue position of these three PACS.

4.5 To conclude, the effect of long-term credit overdue on PACS would not be adverse in a number of cases after integration. On the other hand, the overdue of the present branches of the SLDB would be distributed amongst several PACS and more number of villages would be eligible for long-term lending, than under the present system of long-term lending.

STATE

POSITION OF OVERDUES OF SHORT AND LONG-TERM WINGS OF CO-OPERATIVE CREDIT
As on

Sl. No.	Name of the PACS	No. of villages covered	PLDB (LT)				Percentage of overdues to demand
			Demand		Overdues		
			No. of members	Amount	No. of members	Amount	
1	2	3	4	5	6	7	8
1.	Manantoddy	2	130	0.85	87	0.65	76.5
2.	Thirunelly	2	166	0.58	122	0.46	79.3
3.	Panamaram	1	225	1.25	144	0.84	67.2
4.	Poothadi	1	62	0.64	37	0.39	60.9
5.	Kaniambatta	2	109	1.31	77	0.88	67.2
6.	Vengappally	1	46	0.35	26	0.22	62.9
7.	Ambalavayal	1	85	1.05	52	0.73	69.5
8.	Kalpetta	1	26	0.14	11	0.04	28.6
9.	Purakkadi	1	32	0.24	19	0.12	50.0
10.	Madakkimala	2	117	0.74	56	0.33	44.6
11.	Tharuvana	1	89	0.32	64	0.22	68.8
12.	Eachome	2	31	0.25	25	0.20	80.0
13.	Thavinhal	1	77	0.47	62	0.38	80.9
14.	Thariode	1	77	0.79	55	0.69	87.3
15.	Vellamunda	1	113	0.75	88	0.42	56.0
16.	Nallurnad	1	69	0.32	46	0.19	59.4
17.	Anjukunnu	1	132	0.69	89	0.50	72.5
18.	Thondernad	1	139	1.97	129	1.49	75.6
19.	Sultans Battery	4	40	0.19	12	0.02	10.5
20.	Padinharathara	1	49	0.30	30	0.17	56.7

MENT 1

STRUCTURE (PRIMARY LEVEL) IN THE AREA OF THE WYNAD PLDB (KERALA)
30 JUNE 1975

AMOUNT IN Rs Lakhs

PACS (ST+MT)			Combined position (ST+MT+LT)		
Demand	Overdues	Percentage of overdues to demand	Demand	Overdues	Percentage of overdues to demand
9	10	11	12	13	14
25.18	10.33	41.0	26.03	10.98	42.2
19.64	6.10	31.1	20.22	6.56	32.4
12.75	5.13	40.2	14.00	5.97	42.6
25.30	7.17	28.3	25.94	7.56	29.1
8.40	4.29	51.1	9.71	5.17	53.2
3.10	0.56	18.1	3.45	0.78	22.6
4.08	1.57	38.5	5.13	2.30	44.8
25.68	2.96	11.5	25.82	3.00	11.6
11.74	1.58	13.5	11.98	1.70	14.2
8.60	2.60	30.2	9.34	2.93	31.4
13.23	7.96	60.2	13.55	8.18	60.4
3.31	2.57	77.6	3.56	2.77	77.8
2.79	1.87	67.0	3.26	2.25	69.0
3.74	2.38	63.6	4.53	3.07	67.8
3.98	3.22	80.9	4.73	3.64	77.0
1.78	1.20	67.4	2.10	1.39	66.2
2.85	2.21	77.5	3.54	2.71	76.6
2.44	2.30	94.2	4.41	3.79	85.9
54.99	10.07	18.3	55.18	10.09	18.3
3.63	2.18	60.1	3.93	2.35	59.8

STATE

POSITION OF OVERDUES OF SHORT AND LONG-TERM WINGS OF CO-OPERATIVE CREDIT STRUCTURE
As on

Sl. No.	Name of the PACS	No. of villages covered	PLDB (LT)				Percentage of overdues to demand
			Demand		Overdues		
			No. of members	Amount	No. of members	Amount	
1	2	3	4	5	6	7	8
1.	Chikalparvi	3	144	3.31	114	2.89	87.3
2.	Pothanal	2	76	1.89	63	1.52	80.4
3.	Mustoor	4	86	2.18	74	1.84	84.4
4.	Eralagaddi	4	70	0.90	51	0.58	64.4
5.	Rajalbanda	5	82	1.19	67	0.89	74.8
6.	Hirekotnikal	4	164	2.72	91	1.45	53.3
7.	Hussainpur	5	39	0.64	26	0.34	53.1
8.	Malladagudda	3	118	2.54	94	1.59	62.6
9.	Modalapur	3	55	1.32	53	1.04	78.8
10.	Umali Hosur	3	61	1.22	46	0.86	70.5
11.	Boilmarched	1	16	0.38	14	0.26	68.4
12.	Aranalli	1	28	0.43	19	0.31	72.1
13.	Machanur	4	135	3.29	106	2.33	70.8
14.	Benchmardi	7	94	1.97	72	1.33	67.5
15.	Sirwar	8	209	3.33	142	2.03	61.0
16.	Shakapur	1	62	2.42	55	2.17	89.7
17.	Lakkamdinni	1	30	0.89	24	0.69	77.5
18.	Ganadinni	2	69	2.01	60	1.66	82.6
19.	Athanur	1	123	3.03	106	2.72	89.8
20.	Pamanakallur	3	72	1.58	62	1.18	74.7

MENT 2

(PRIMARY LEVEL) IN THE AREA OF THE MANVI PLDB (KARNATAKA)

30 JUNE 1975

Amount in Rs Lakhs

PACS (ST+MT)					Combined position (ST+MT+LT)		
Demand		Overdues		Percentage of overdues to demand	Demand		Percentage of overdues to demand
No. of members	Amount	No. of members	Amount		No. of members	Amount	
9	10	11	12	13	14	15	16
106	1.98	53	0.74	37.4	5.29	3.63	68.6
120	2.67	89	1.77	66.3	4.56	3.29	72.1
120	1.14	74	0.64	56.1	3.32	2.48	74.7
211	2.10	106	1.24	59.0	3.00	1.82	60.7
107	1.16	72	0.74	63.8	2.35	1.63	69.4
289	3.32	215	2.50	75.3	6.04	3.95	65.4
47	0.31	47	0.31	100.0	0.95	0.65	68.4
89	0.82	82	0.82	100.0	3.36	2.41	71.7
66	1.10	66	1.10	100.0	2.42	2.14	88.4
196	4.20	127	3.01	71.7	5.42	3.87	71.4
50	0.53	46	0.50	94.3	0.91	0.76	83.5
49	0.47	49	0.47	100.0	0.90	0.78	85.7
108	1.53	95	1.24	81.0	4.82	3.57	74.1
48	0.32	41	0.24	75.0	2.29	1.57	68.6
220	2.59	193	1.81	69.9	5.92	3.84	64.9
58	0.61	58	0.61	100.0	3.03	2.78	91.7
37	0.19	34	0.17	89.5	1.08	0.86	79.6
30	0.22	30	0.22	100.0	2.23	1.88	84.3
NA	2.33	NA	2.33	100.0	5.36	5.05	94.2
125	0.91	70	0.68	74.7	2.49	1.86	74.7

STATE

POSITION OF OVERDUES OF SHORT AND LONG-TERM WINGS OF CO-OPERATIVE CREDIT STRUCTURE
DISTRICT
As on

Sl. No.	Name of the PACS	No. of villages covered	SLDB Branches (LT)				Percentage of overdues to demand
			Demand		Overdues		
			No. of members	Amount	No. of members	Amount	
1	2	3	4	5	6	7	8
1.	Chhaorodiya	1	21	0.08	11	0.06	66.4
2.	Zeinjar	1	4	0.16	3	0.14	88.3
3.	Malanpur	1	21	0.19	19	0.18	98.5
4.	Cher	1	1	0.06	1	0.05	84.9
5.	Rojid	1	19	0.14	16	0.13	96.3
6.	Kamiala	2	2	0.06	2	0.03	55.3
7.	Pipariya	4	21	0.21	17	0.11	55.5
8.	Nana Tardiya	1	2	0.01	2	0.01	100.0
9.	Aniyali	1	18	0.21	10	0.16	75.0
10.	Gunda	1	14	0.12	13	0.11	99.1
11.	Sunderiyana	2	72	0.59	70	0.56	95.4
12.	Baragania	2	96	0.81	90	0.70	86.3
13.	Ranpari	1	34	0.14	30	0.13	92.5
14.	Kundal	1	5	0.06	5	0.05	93.9
15.	Dhhaondar	1	3	0.01	1	0.006	78.0
16.	Salangpur	1	15	0.10	12	0.09	84.6
17.	Kothadiya	1	—	—	—	—	—
18.	Sodhi	1	—	—	—	—	—
19.	Bavaliyari	1	—	—	—	—	—
20.	Hebatpur	1	—	—	—	—	—

MENT 3

(PRIMARY LEVEL) IN THE AREA OF SLDB BRANCHES IN DHANDHUKA TALUKA OF AHMEDABAD (GUJARAT)

30 JUNE 1975

Amount in Rs Lakhs

PACS (ST+MT)					Combined Position (ST+MT+LT)		
Demand		Overdues		Percentage of overdues to demand	Demand	Overdues	Percentage of overdues to demand
No. of members	Amount	No. of members	Amount				
9	10	11	12	13	14	15	16
92	2.45	24	1.05	42.7	2.53	1.11	43.5
123	4.17	58	2.18	52.2	4.33	2.32	53.5
121	4.15	55	2.28	54.9	4.34	2.46	56.8
77	4.67	33	2.54	54.5	4.72	2.59	54.9
126	5.46	82	3.19	58.4	5.60	3.32	59.3
130	4.43	82	2.29	51.7	4.49	2.32	51.8
194	7.86	88	4.00	50.9	8.07	4.11	51.0
54	1.71	49	1.52	89.0	1.72	1.53	89.1
55	1.55	39	1.13	72.5	1.76	1.29	72.8
99	1.82	82	1.40	77.0	1.94	1.51	78.3
234	6.64	181	5.27	79.3	7.23	5.83	80.6
57	2.82	49	2.46	87.4	3.63	3.16	87.1
65	1.56	61	1.46	93.9	1.70	1.59	93.8
56	1.42	52	1.42	99.8	1.48	1.47	99.6
58	2.10	58	2.06	98.2	2.11	2.07	98.1
120	2.60	115	2.49	95.9	2.70	2.58	95.5
76	1.95	41	1.05	54.0	1.95	1.05	54.0
122	2.96	122	2.96	100.0	2.96	2.96	100.0
164	5.71	116	4.39	76.8	5.71	4.39	76.8
169	7.06	113	4.99	70.6	7.06	4.99	70.6

STATE

POSITION OF OVERDUES OF SHORT AND LONG-TERM WINGS OF CO-OPERATIVE CREDIT STRUCTURE
DISTRICT
AS ON

Sl. No.	Name of the PACS	No. of villages covered	SLDB Branches (LT)				Percentage of overdues to demand
			Demand		Overdues		
			No. of members	Amount	No. of members	Amount	
1	2	3	4	5	6	7	8
1.	Jalampura	1	31	0.53	31	0.38	72.11
2.	Thorivadgas	1	7	0.03	5	0.02	74.66
3.	Rudatal	5	47	0.95	33	0.66	68.54
4.	Venkariya	1	65	0.52	61	0.48	92.04
5.	Kumarkhan	2	18	0.11	16	0.09	84.23
6.	Vanswa	1	32	0.65	31	0.54	82.86
7.	Ribadi	1	12	0.12	7	0.10	78.51
8.	Vani	1	18	0.15	11	0.11	68.45
9.	Kaiyala	1	36	0.49	34	0.48	97.55
10.	Asalgam	2	15	0.13	14	0.12	90.85
11.	Odhav	2	11	0.13	8	0.11	82.53
12.	Sadara	1	1	0.01	1	0.01	100.00
13.	Vadgas	1	43	0.21	13	0.11	53.08
14.	Shahpur	2	42	0.82	42	0.63	76.82
15.	Rahmalpur	2	24	0.18	21	0.15	82.15
16.	Daabsar	2	41	0.57	35	0.45	78.64
17.	Moti-Kishor	2	7	0.08	7	0.06	69.53
18.	Zezara	1	24	0.20	23	0.18	88.27
19.	Thuleta	1	13	0.02	13	0.02	100.00
20.	Karakthel	1	47	0.34	44	0.31	90.78

MENT 4

(PRIMARY LEVEL) IN THE AREA OF SLDB BRANCHES IN VIRAMGAM TALUKA OF AHMEDABAD
(GUJARAT)
30 JUNE 1975

AMOUNT IN Rs Lakhs

PACS (ST+MT)					Combined Position (ST+MT+LT)		
Demand		Overdues		Percentage of overdues to demand	Demand	Overdues	Percentage of overdues to demand
No. of members	Amount	No. of members	Amount				
9	10	11	12	13	14	15	16
79	2.98	57	1.64	55.02	3.51	2.02	57.6
47	1.97	25	1.07	54.62	2.00	1.09	54.9
199	3.18	99	1.60	50.43	4.13	2.26	56.1
117	3.41	32	1.74	51.08	3.93	2.22	56.5
138	4.09	47	1.69	41.23	4.20	1.78	42.4
152	5.82	51	1.90	32.68	6.47	2.44	37.8
135	2.82	47	0.84	29.86	2.94	0.94	31.9
151	3.96	31	0.72	18.19	4.11	0.83	20.1
79	3.33	78	2.38	71.31	3.82	2.86	74.7
99	2.47	50	1.69	68.34	2.60	1.81	69.5
83	2.13	50	1.31	61.65	2.26	1.42	62.9
19	0.86	12	0.72	83.87	0.87	0.73	84.2
88	4.79	79	4.63	96.70	5.00	4.74	94.9
144	6.66	111	5.88	88.29	7.48	6.51	87.0
101	3.88	101	3.88	100.00	4.06	4.03	99.2
208	3.33	208	3.32	99.67	3.90	3.77	96.6
84	4.42	53	3.28	74.25	4.50	3.34	74.2
139	4.91	134	4.89	99.69	5.11	5.07	99.3
85	2.93	85	2.93	100.00	2.95	2.95	100.00
230	11.84	198	10.74	90.68	12.18	11.05	90.7

CREDIT SUPPORT BETWEEN SHORT-TERM AND LONG-TERM WINGS OF THE CO-OPERATIVE CREDIT STRUCTURE IN ANDHRA PRADESH*

1. At the instance of the Committee on Integration of Co-operative Credit Institutions, the Regional Office of the Agricultural Credit Department, Reserve Bank of India at Hyderabad conducted in three selected districts, namely, Anantapur, Karimnagar and Nellore, a quick sample study of the extent to which the borrowers of investment credit from the primary agricultural co-operative development banks (PADB) received support from the primary agricultural credit societies (PACS), in the areas of operation of the former, for their seasonal agricultural operations and marketing of crops. For the purpose of this study, two primary agricultural development banks (PADB) in each of the three districts, representing the three regions of the State, viz., Telengana, Rayalaseema and coastal Andhra Pradesh, were selected. All the cultivators who borrowed funds from the PADB in the areas of operation of ten PACS in each of the three regions were covered by the study. The study pertained to the years 1973-4 and 1974-5. A summary of the findings of the study is given below :

Overall Picture

2. Out of the 731 borrowers of PADB in the area of operation of 30 PACS selected for the study, only 311 borrowers forming 43 per cent were enrolled as members of the PACS; even out of these 311 borrowers, only 178, forming 24 per cent of the total number of persons who had borrowed funds from the PADB had obtained loans for seasonal agricultural operations and marketing of crops from the respective PACS, as can be seen from the following Table :

TABLE 1

Particulars	No.	Percentage to total
Total number of borrowers of PADB covered by the study	731	100
Of which, financed by		
(a) PACS £ 	178	24
(b) Money-lenders and other private agencies	401	55
(c) Directly by the commercial banks	24	3
(d) By own resources	87	12
(e) Others (for which no break-up is available)	41	6

* Summary prepared by the Secretariat of the Committee.
£ No. of member actually enrolled is 311.

3. It will be seen from Table 1 that only 87 borrowers of PADB, forming less than 12 per cent of the total, were in a position to meet the funds required for production and marketing of crops from their own resources. As many as 401 borrowers constituting 55 per cent of the total depended on money-lenders comprising professional money-lenders, traders and other private agencies. The share of the commercial banks in direct finance was also small at 3 per cent.

Region-wise Analysis

4. Statements 1 and 2 give the position, region-wise as well as society-wise, respectively. The region-wise break-up available in Statement 1 reveals imbalances between the three regions covered under the study. While in Telangana and coastal Andhra Pradesh, the percentage of borrowers of PADB who have enrolled themselves as members of the respective PACS was as high as 63 per cent and 57 per cent, respectively, in Rayalaseema, only 22 per cent of the borrowers of the PADB were members of the PACS. The position of credit support provided by the PACS to these members also showed similar regional imbalances. In coastal Andhra Pradesh and Telangana areas, only 40 per cent and 35 per cent, respectively, of the borrowers of the PADB received credit support from the PACS for their production requirements whereas in Rayalaseema, the credit support was as low as 9 per cent. Reflecting the poor credit support available from the PACS, the percentage of borrowers of PADB, who obtained production credit from the money-lenders and other private agencies were as high as 88 in Rayalaseema and 46 in Telangana. While no direct borrowings from the commercial banks have been reported in Rayalaseema by the borrowers of the PADB, in Telangana the percentage of members who had borrowed funds for seasonal agricultural operations from the commercial banks was below 2 while it was about 12 in coastal Andhra Pradesh. Borrowers of the PADB who met their production credit requirements from their own resources formed a negligible proportion of less than 3 per cent in Rayalaseema while in Telangana and coastal Andhra Pradesh, they formed 17 per cent and 12 per cent, respectively.

5. The study revealed lack of co-ordination between the two wings of the co-operative credit structure in the State as an important cause for the poor credit support available from the short-term wing for investment credit. The other reasons revealed by the study are as follows :

- (i) The relative weakness of the primary agricultural credit societies because of mounting overdues and poor financial base;

- (ii) many societies selected for the study were not viable units and re-organisation had not taken place in the areas covered by the societies;
- (iii) lack of extension work in enrolling members of the PACS and getting them adequate credit support; and
- (iv) vested interests in the leadership of a large number of PACS resulting in factions and lack of co-ordination with the long-term wing.

6. It was also reported that the farmers contacted by the officer of the RBI during the study voiced their demand for a single agency at the village level which would provide them with all types of credit facilities, inputs and a variety of agricultural services at one contact point.

STATEMENT 1

PRODUCTION CREDIT SUPPORT FOR INVESTMENT CREDIT PROVIDED BY PRIMARY AGRICULTURAL DEVELOPMENT BANKS IN ANDHRA PRADESH—REGION-WISE PARTICULARS

1. Name of the Region ..	Rayalaseema		Telangana		Coastal Andhra		All the Regions	
2. Name of the District..	Anantapur		Karimnagar		Nellore			
3. Name of PADB ..	1. Anantapur 2. Dharmavaram		1. Karimnagar 2. Sircilla		1. Nellore 2. Kovur			
4. No. of PACS selected for study	10		10		10		30	
	No.	Percent- age to total	No.	Percent- age to total	No.	Percent- age to total	No.	Percent- age to total
5. No. of borrowers from PADB in the area of the selected PACS ..	339		209		183		731	
Of which,								
(i) enrolled as members of PACS ..	76	22.4	131	62.7	104	56.8	311	42.5
(ii) financed for production requirements by:								
(a) PACS during last 2 years ..	32	9.4	73	34.9	73	39.9	178	24.3
(b) money lenders and other private agencies ..	297	87.6	97	46.4	7	3.8	401	54.9
(c) commercial banks ..	—	—	3	1.5	21	11.5	24	3.3
(d) own resources	10	3.0	36	17.2	41	22.4	87	11.9
(e) others ..	—	—	—	—	41	22.4	41	5.6

STATEMENT 2

PRODUCTION CREDIT SUPPORT FOR INVESTMENT CREDIT PROVIDED BY PRIMARY AGRICULTURAL DEVELOPMENT BANKS IN ANDHRA PRADESH—SOCIETY-WISE PARTICULARS

I. Rayalaseema Region: (a) *The Anantapur Co-operative Agricultural Development Bank Ltd.*

1. Names of the PACS selected for study	Rachana- ppalli-	Narasane- kunta	Marutla	Gotkuru	Budedu
2. No. of cultivating households in the area of the PACS	80	100	250	200	60
3. No. of cultivators enrolled as members of the PACS	45	70	34	33	25
4. No. of cultivators who have borrowed from the PADB ..	20	24	12	17	9
5. Out of (4) above:					
(i) enrolled as members of the PACS	2	6	4	4	1
(ii) financed for production credit requirements by:					
(a) the PACS during last 2 years	1	4		2	—
(b) money lenders and other private sources	13	16	9	15	9
(c) commercial banks	—	—	—	—	—
(d) own resources	6	4	—	—	—

(b) *The Dharmavaram Co-operative Agricultural Development Bank Ltd.*

1. Names of the PACS selected for study	Payidindi	Nagasa- mudram	Puleti- palli	Regati- palli	Kanaga- napalli
2. No. of cultivating households in the area of the PACS	210	800	600	175	450
3. No. of cultivators enrolled as members of the PACS	32	79	232	82	107
4. No. of cultivators who have borrowed from the PADB ..	57	47	61	22	70
5. Out of (4) above:					
(i) enrolled as members of the PACS	8	8	20	6	17
(ii) financed for production credit requirements by:					
(a) the PACS during last 2 years	2	5	7	6	2
(b) money lenders and other private agencies ..	55	42	54	16	68
(c) commercial banks	—	—	—	—	—
(d) own resources	—	—	—	—	—

STATEMENT 2—(Contd.)

PRODUCTION CREDIT SUPPORT FOR INVESTMENT CREDIT PROVIDED BY PRIMARY AGRICULTURAL DEVELOPMENT BANKS IN ANDHRA PRADESH—SOCIETY-WISE PARTICULARS

II. Telangana Region: (a) *The Karimnagar Co-operative Agricultural Development Bank Ltd.*

1. Names of the PACS selected for study	Choppa-dandi	Amakonda	Kolimi-kunta	Elgandal	Kajipur
2. No. of cultivating households in the area of the PACS	606	374	120	577	138
3. No. of cultivators enrolled as members of the PACS	249	214	48	120	91
4. No. of cultivators who have borrowed from the PADB	35	25	7	36	6
5. Out of (4) above:					
(i) enrolled as members of the PACS	27	18	3	19	3
(ii) financed for production credit requirements by:					
(a) the PACS during last 2 years	16	5	2	17	2
(b) money lenders and other private sources	9	17	4	8	2
(c) commercial banks	3	—	—	—	—
(d) own resources	7	3	1	11	2

(b) *The Sircilla Agricultural Development Bank Ltd.*

1. Names of the PACS selected for study	Bonala	Mustipalli	Ragudu	Thangallapalli	Monday-palli
2. No. of cultivating households in the area of the PACS	137	58	120	475	400
3. No. of cultivators enrolled as members of the PACS	91	43	69	88	171
4. No. of cultivators who have borrowed from PADB	16	11	18	17	38
5. Out of (4) above:					
(i) enrolled as members of the PACS	11	9	6	10	25
(ii) financed for production credit requirements by:					
(a) the PACS during last 2 years	—	1	—	7	19
(b) money lenders and other private sources	14	10	14	5	14
(c) commercial banks	—	—	—	—	—
(d) own resources	2	—	—	5	5

Note Society-wise details for coastal Andhra Region are not readily available.