

**REPORT OF THE STUDY TEAM**  
**ON**  
**AGRICULTURAL CREDIT INSTITUTIONS**  
**IN**  
**UTTAR PRADESH**



**RESERVE BANK OF INDIA**

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RESERVE BANK OF INDIA  
AGRICULTURAL CREDIT DEPARTMENT  
BOMBAY

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## INTRODUCTION

IN pursuance of a recommendation of the Conference of the State Ministers of Co-operation held in January 1973, the Government of India (GOI) in the Ministry of Agriculture and Irrigation, Department of Rural Development, had suggested that the Reserve Bank of India (RBI) might undertake an in-depth study of institutional arrangements for agricultural credit in the co-operatively backward districts of Eastern Uttar Pradesh. The GOI, however, later agreed with the RBI's view that a special study of the above type would be of value if it covered the entire state as examination of certain general questions of policy concerning agricultural credit institutions in the state as a whole would be involved. Besides, the RBI, before launching the state-wide study, was keen on securing a broad agreement on major policy issues affecting agricultural credit institutions, as there was some difference of opinion between the Government of Uttar Pradesh (GOUP) and the RBI regarding the role of co-operative cane unions operating in Uttar Pradesh (UP). Fortunately, at the annual discussions with the state representatives held at Nainital on 17 May 1975, the issue was resolved to the satisfaction of all concerned. It was then decided that cane unions should act as planning and co-ordinating agencies and not provide production and investment credit, leaving that function to re-organized primary agricultural credit societies (pacs) to be discharged under the guidance of the unions.

2 Soon after the above agreement was reached, the Governor of the RBI, in consultation with the GOI and the GOUP, appointed in May 1975 a Study Team on Agricultural Credit Institutions in Uttar Pradesh to study in detail the existing institutional arrangements for agricultural credit in all areas in the state, with a view to suggesting programmes of re-organization, revitalization and development, where necessary.

*Composition of the Study Team*

3 The composition of the Study Team was as follows when first constituted:

- |   |   |          |
|---|---|----------|
| 1 | Dr C. D. Datey<br>Executive Director<br>Reserve Bank of India   | Chairman |
| 2 | Shri Santan Barathwal<br>Chairman<br>Uttar Pradesh Provincial<br>Co-operative Federation  | Member   |
| 3 | Shri Harpal Shastri <sup>1</sup><br>Chairman<br>District Co-operative Bank<br>Bijnor  | Member   |
| 4 | Shri Anand Singh<br>Vice-Chairman<br>Uttar Pradesh Cane Unions<br>Federation  | Member   |
| 5 | Shri G. P. Pande<br>Commissioner and Secretary<br>Agricultural Production and<br>Rural Development<br>Government of Uttar Pradesh | Member   |
| 6 | Kum. Kusum Lata Mittal<br>Director<br>Institutional Finance<br>Government of Uttar Pradesh  | Member   |
| 7 | Dr J. P. Singh<br>Registrar<br>Co-operative Societies<br>Uttar Pradesh  | Member   |

<sup>1</sup> The board of management of the bank was superseded in July 1976 and since then Shri Shastri's association with the Team has been as a non-official co-operator.

- |    |  |                  |
|----|--|------------------|
| 8  | Shri V. K. Saxena <sup>1</sup><br>Cane Commissioner<br>Cane Department<br>Government of Uttar Pradesh  | Member           |
| 9  | Shri R. Srinivasan<br>Director (Credit)<br>Government of India<br>Ministry of Agriculture and<br>Irrigation<br>Department of Rural Development | Member           |
| 10 | Shri P. N. Khanna<br>Chief Officer<br>Department of Banking<br>Operations and Development<br>Reserve Bank of India                             | Member           |
| 11 | Shri R. R. Pradhan<br>Joint Chief Officer<br>Agricultural Credit Department<br>Reserve Bank of India   | Member-Secretary |

In December 1975, Shri K. N. Srivastava took over from Shri G. P. Pande as Commissioner and Secretary of the Agricultural Production and Rural Development Department and was nominated as a member of the Team in place of Shri Pande. In December 1976, Shri Srivastava took over as the Chief Secretary to the GOUP and, therefore, Shri J. N. Pradhan, the present incumbent to the post of the Agricultural Production Commissioner, GOUP, joined the Team as a member. Shri Srivastava, however, continued to take personal interest in guiding the work of the Team. We are extremely grateful to him for the same and for the enlightened views he gave on the various issues referred for our consideration. Consequent to the transfer of Kum. Kusum Lata Mittal to the GOI in June 1976 and of Dr

<sup>1</sup>In addition to his charge as Cane Commissioner, Shri Saxena has since taken over as Commissioner and Secretary, Cane & Sugar Departments, GOUP.

J. P. Singh as the District Magistrate, Allahabad, in May 1976, Shri L. K. Nagar and Shri Nripendra Mishra took over as the Director of Institutional Finance and the Registrar of Co-operative Societies respectively and were nominated as members of the Team in place of the former incumbents to these posts. Shri Anand Singh, although nominated by the GOUP as a member of the Team, could not attend any of its meetings/discussions and thus participate in the deliberations and is not, therefore, a signatory to the Team's report.

4 Shri S. B. Lall, Special Secretary, Co-operation Department, GOUP, Shri S. K. R. Zaidi, Joint Director, Institutional Finance and Joint Secretary, Finance, Industries, Sugar Industry, Cane Development and Hill Development Departments, GOUP, Shri O. P. Sharma, Secretary (designated as Managing Director from 29 January 1977), Uttar Pradesh Co-operative Bank (UPCB), the Joint Chief Officer in-charge of the Regional Office of the RBI's Department of Banking Operations and Development (DBOD) at Kanpur and Shri J. P. Awasthi, Deputy Chief Officer in-charge of the Regional Office of the RBI's Agricultural Credit Department (ACD) at Lucknow, attended the discussions and meetings of the Study Team and participated in its deliberations as special invitees. Besides, Shri S. D. Bagla, Milk Commissioner, GOUP, attended the third meeting of the Study Team on special invitation. Shri R. K. Bhujabal, Deputy Secretary, Department of Rural Development, Ministry of Agriculture and Irrigation, GOI and Shri R. Vijayaraghavan, Joint Chief Officer, Department of Banking Operations and Development, Reserve Bank of India, Bombay, attended the third meeting of the Team on behalf of Sarvashri R. Srinivasan and P. N. Khanna respectively.

#### *Terms of reference*

5 The terms of reference of the Study Team are as under:

- (i) to examine the financial and organizational position of the state and central co-operative banks in Uttar Pradesh and to suggest a unit-wise programme for re-organization and rehabilitation where necessary;



- (ii) to identify, district-wise, areas of agricultural development and examine generally the co-operative credit structure in those areas which will be in a position in near future to meet the requirements of agricultural credit and, if not, to suggest alternative institutional arrangements in this behalf which may include: (a) state co-operative bank or commercial banks financing primary agricultural credit societies, by-passing the central co-operative banks; (b) central co-operative banks financing the individual agriculturists directly, by-passing the primary agricultural credit societies; and (c) the state co-operative bank or the commercial banks financing individuals directly through their branches and also to identify, district-wise, the areas where one or more of these alternatives may be adopted;
- (iii) to examine whether there is at all any justification for continuing the intermediate level institutions of the three-tier structure of the co-operative credit system in the state and if such a step is not considered advisable and necessary for the state as a whole, whether in any particular district it may be advantageous to eliminate the central co-operative bank and in that case suggest the steps necessary to enable the state co-operative bank or the commercial banks to take the place of the central bank and to discharge the responsibility more effectively and efficiently than the latter;
- (iv) to review the working of the scheme of financing agriculture by commercial banks through primary agricultural credit societies and suggest, if necessary, measures for extension of the scheme, streamlining the procedure and/or overcoming the short-comings, if any;
- (v) to study the financial position and working of primary agricultural credit societies with a view to suggesting measures to make each one of them a viable unit which may include the societies undertaking the function of providing long-term agricultural credit in addition to short-term and medium-term credit facilities;
- (vi) to suggest the manner in which the activities of the cane unions and milk unions are closely co-ordinated with those of the primary credit societies so that the

responsibility for the development of cane in the case of cane unions and arrangements for collection, marketing of milk and provision of extension services in the case of milk unions, is that of the respective unions while the provision of production and investment credit is undertaken by the primaries;

- (vii) to examine the position of overdues at the various levels of the co-operative credit structure with a view to considering the feasibility of, and the financial assistance required for, re-scheduling the overdues in respect of non-wilful defaulters so that the line of credit to institutions and individuals is re-opened and to suggest measures including administrative arrangements necessary for recovery of the overdues from wilful defaulters;
- (viii) to examine the lending policies of the state and central co-operative banks in regard to the provision of production and investment credit and to suggest modifications where necessary in the interest of ensuring soundness and adequacy of credit facilities *vis-a-vis* the developmental programmes in the state;
- (ix) to examine the arrangements for the management of, and supervision over, primary agricultural credit societies and suggest arrangements which will ensure efficient management of, and effective supervision over, the societies;
- (x) to study the problems of the hilly areas as also the tribal areas and suggest, if necessary, special financial assistance and a different organizational pattern for such areas;
- (xi) to suggest the nature and extent of financial and administrative assistance that may be necessary from the State Government, the Government of India and the Reserve Bank of India in the matter of re-organization and rehabilitation of the co-operative credit structure in the state; and
- (xii) to make any other recommendations which are incidental or related to the above terms of reference.

The Regional Rural Banks (RRBs) as possible alternative credit

agencies have not been mentioned in the terms of reference, as the policy decision regarding their organization was taken in July 1975, i.e., subsequent to the appointment of the Study Team and finalization of its terms of reference. The Team, however, has taken this important development into account while considering the role of alternative institutional sources in meeting the requirements of agricultural credit in the state.

### *Programme Planning*

6 The Study Team, at its first meeting considered the scope of its work and noted that, the terms of reference did not necessitate its going into the fundamentals of accepted policies and, therefore, the various problems faced by agricultural credit institutions in UP could be considered within the framework of policies already accepted at the national level. The Team also decided to have an action-oriented approach in offering its recommendations for overcoming the shortcomings in, and streamlining the policies and procedures governing agricultural credit. Proceeding on these basic assumptions, the Team finalized at this meeting a plan of action for ensuring the completion of its work within as short a period as possible.

7 With a view to obtaining certain basic data which had a bearing on the various terms of reference, the Team decided to collect district-wise as well as block-wise data, where necessary, and for this purpose finalised different sets of proformas prepared by the Member-Secretary. These proformas were circulated amongst the various co-operative and other institutions as well as the concerned state government departments for collecting the required data/information.

8 A decision was also taken by the Team that certain aspects of the working of pacs should be studied in greater detail particularly to identify the causes of low coverage, lower borrowing membership, inability to meet adequately the credit requirements of the area and provide inputs and services, heavy defaults, etc. For the purpose of these on-the-spot studies, a sample of 275 pacs comprising large-sized societies, service societies, societies in drought-prone areas, hilly areas, etc., at the rate of 4 to 5 pacs

per district, was selected. The responsibility for undertaking these studies was entrusted to the officers of the UP CB, district co-operative banks (DCBs), Co-operation Department of the GOUP and the Reserve Bank's ACD at Lucknow. The proformas and guidelines for the use of the officers undertaking these studies were prepared by the Member-Secretary with a view to ensuring uniformity of approach in obtaining the relevant data/information.

### *Special Studies*

9 The Study Team felt that certain terms of reference would call for special field studies so as to have a first hand knowledge of the nature and dimension of the relevant problems which in turn would facilitate consideration of the most appropriate solutions therefor. Accordingly, special studies relating to the undernoted important aspects were entrusted to officers of the secretariat of the Study Team at Bombay which were personally supervised and guided by the Member-Secretary:

- (i) problems of, and institutional arrangements in, hilly areas;
- (ii) co-ordination of the activities and functions of co-operative cane unions and the credit structure;
- (iii) co-ordination of the activities of co-operative milk unions and of the pacs; and
- (iv) certain administrative and operational aspects including the cost of raising resources for the co-operative banks.

### *Meetings/discussions*

10 Keeping in view the agro-climatic conditions obtaining in the different parts of UP, the Team decided to broadly divide the state into five regions, viz., (i) Bundelkhand, (ii) Eastern, (iii) Central, (iv) Western and (v) Hilly, for presentation of data and consideration of issues referred to it. Incidentally, the same classification of districts has been adopted by the state government for the purpose of formulating their development plans. Since the problems faced by the various regions are for obvious reasons not uniform in nature, the Team considered it advisable to discuss these problems separately with the representatives of

the respective regions and also ascertain their views on the terms of reference and allied problems. Accordingly, the Team convened, on a zonal basis, separate meetings for each of these regions at which non-officials and officials from the respective regions representing agricultural credit institutions and the concerned departments of the state government were invited for discussion. These meetings were held as under:

Region	Place	Date
(1) Bundelkhand	Jhansi	14 August 1975
(2) Eastern	Allahabad	25 February 1976
(3) Central	Lucknow	8 July 1976
(4) Western	Hardwar	15 September 1976
(5) Hilly	Badrinath	18 September 1976

Besides, on 16 and 17 September 1976, the Team visited two pacs in the Chamoli district to study, on-the-spot, the problems of the institutions and of farmers in the hilly areas and held discussions with office-bearers and members of the societies to elicit their views particularly on issues like viability, loaning policies, consumer business, etc. Further, the Study Team met the representatives of major commercial banks and RRBs operating in the state at a meeting convened at Lucknow in 8 February 1977 and ascertained their views on their role in financing agriculture in the state.

11 The Study Team met at Lucknow on four occasions during the period July 1975 to March 1977. The first and the second meetings were held on 1 July 1975 and on 7 February 1977 respectively. The third meeting was held on 21 and 22 March 1977 for consideration of the draft report prepared by the Member-Secretary. A final draft of the report revised in the light of the discussions held and decisions taken at the third meeting, was submitted for consideration of the Team at its fourth and final meeting held on 26 March 1977 when the report was finalised and signed by the members.

12 The report has eight chapters as indicated below:

- Chapter 1—Agricultural Situation and Credit Potential
- Chapter 2—State and District Co-operative Banks
- Chapter 3—Institutions at the Primary Level
- Chapter 4—Arrangements for Filling Credit Gaps
- Chapter 5—Cane Financing and Cane Unions
- Chapter 6—Credit for Dairying
- Chapter 7—Overdues in Co-operative Credit Institutions
- Chapter 8—Managerial and Operational Issues

Besides, the report contains a summary of recommendations.

### *Acknowledgements*

13 At the outset we thank the non-official workers, the officials of the state government, the representatives of the co-operative, commercial banks and RRBs who attended the various meetings convened by us and offered their valuable suggestions on the terms of reference and allied problems. These discussions were of great help to us for getting an insight, particularly, into the difficulties faced in important spheres like mobilization of resources, dispensation of agricultural credit and recovery thereof.

14 We are grateful to the UP CB, the DCBs, the commercial banks and RRBs and various departments of the GOUP and in particular, the Co-operation, Cane, Agriculture, Revenue, Dairy Development and Hill Development Departments, for furnishing the vast mass of information/data required by us. We thank the officers of the UP CB, the DCBs, the Co-operation Department of the GOUP and the RBI's ACD at Lucknow for undertaking on-the-spot studies of pacs. We would, in particular, like to specially thank Shri O. P. Sharma, Managing Director, UP CB, first for the assistance rendered by him in identifying the pacs to be covered and in selecting officers of the UP CB/DCBs for the purpose of these studies and later for the valuable suggestions he made in the meetings of the Team.

15 We are also grateful to the regional officers of the RBI's ACD and DBOD in the state for their co-operation in planning

and arranging to collect from various sources the voluminous data required for our work. In this connexion, we would specially like to place on record our sincere appreciation of the hard work put in by the officers and the staff of the regional office of the RBI's ACD under the personal guidance of Shri J. P. Awasthi, Deputy Chief Officer, who took great pains in arranging and planning the meetings/discussions of the Team and the special studies by the officers of its secretariat and who also contributed much to the deliberations of the Team. Thanks are also due to Sarvashri D. D. Pathak and J. K. Uppal, Rural Credit Officers, RBI, ACD, Lucknow and to Sarvashri Y. P. Singh and B. N. Singh, Deputy Registrars respectively of Agra and Kumaun divisions, for their active association with the special field studies undertaken by the secretariat of the Team. We would also like to specially thank Shri R. B. Lal, Additional Registrar of Co-operative Societies, GOUP, Lucknow, for his invaluable assistance in the collection of data, including block-wise data, from various sources during the final stages of our work and also for the advice he gave to the Team based on his rich and long experience of the Co-operation Department and the co-operatives.

16 We would like to place on record our sincere appreciation for the hard work put in by the secretariat of the Team and in particular by Sarvashri B. K. Godbole, Assistant Chief Officer, A. G. Sule, Rural Credit Officer, Smt. S. Aiyer and Shri H. N. Bhobe, Staff Officers. Our thanks are due to Sarvashri Godbole and Sule for the field studies and for the excellent draft report prepared by them in consultation with the Member-Secretary which greatly facilitated our work and enabled us to complete our assignment in time. Smt. S. Aiyer and Shri Bhobe deserve our thanks for the quickness with which they tabulated the vast mass of data received from the banks and the government departments.

17 The rest of us have great pleasure in recording our appreciation for the able manner in which Shri R. R. Pradhan, Member-Secretary guided the field studies and supervised the work in the secretariat, despite the fact that in the last stages of the work he had to attend to it in addition to his other

onerous charge as Joint Chief Officer, ACD for the whole of Eastern Region.

18 Finally, we, the other members of the Study Team, would like to place on record our deep sense of gratitude towards the Chairman, Dr C. D. Datey, for his able guidance and leadership. He has been the moving spirit behind the constructive deliberations not only in the meetings of the Study Team but also during the zonal discussions which took place in the various regions of the state.



## CHAPTER 1

### AGRICULTURAL SITUATION AND CREDIT POTENTIAL

1.01 Uttar Pradesh which in size ranks fourth next to Madhya Pradesh, Maharashtra and Rajasthan, has the highest population among all the states in the country. The state is situated in the northern part of the country and is bound by Himachal Pradesh, Haryana, Delhi and Rajasthan on the west, Madhya Pradesh on the south, Bihar on the east and in the north lie the Himalayas. The Gangetic plane covers about two-thirds of the total area of the state and, therefore, it has predominantly agricultural economy. Agriculture and allied sectors contribute about 60 per cent of the total income of the state. Thus, the growth in agricultural production is an important indicator of the overall progress of the state's economy.

#### *Administrative set up*

1.02 For administrative convenience, the state was until recently divided into 54 districts grouped under 11 revenue divisions. In 1973-4, a new district, viz., Lalitpur was carved out of the Jhansi district. For revenue administration, the Kanpur district has been divided into two separate districts, viz., Kanpur-Urban and Kanpur-Rural. In November 1976, another new district called Ghaziabad was carved out of the districts of Meerut and Bulandshahr. The new Ghaziabad district comprises the Ghaziabad and Hapur *tehsils* of Meerut district and Dadri Pargana of Bulandshahr district. Further, in the same month, a new revenue division, viz., Moradabad was formed by transferring to it three districts (viz., Moradabad, Bijnor and Rampur) from the Rohilkhand division. Thus, at present there are in all 57 districts in the state grouped under 12 revenue divisions as per details given in Annexure 1.

1.03 The fifty-seven districts in the state have been further subdivided into 232 *tehsils*. The number of *tehsils* per district ranges

between 2 each for Dehra Dun and Garhwal districts and 8 for Allahabad district. For development purposes, the districts have been divided into blocks which are much smaller in area than *tehsils*, but do not generally cut across the *tehsil* boundaries. There are in all 875 development blocks in the state. These blocks comprise 8,781 *nyaya panchayats* and 72,832 *gram sabhas*. Thus, on an average, each development block consists of ten *nyaya panchayats* and each *nyaya panchayat* comprises eight to nine *gram sabhas*. Normally one to three inhabited villages form a *gram sabha*. There are in all 1.13 lakhs inhabited villages in UP.

#### *Geophysical and climatic conditions*

1.04 Geophysically, UP can be divided broadly into three distinct regions, viz., (i) Himalayan region, (ii) Gangetic plane and (iii) Southern hills and plateau. The Himalayan region covers about one-sixth of the area of the state in its northern most part. The region rises from a height of 300 meters to a series of ice-capped peaks more than 6000 meters above the mean sea level. The lower Himalayas and the sub-Himalayan foot hills have longitudinal valleys suitable for cultivation. Orchard plantation is also carried out in these parts. On account of the difficult terrain, the Himalayan region is thinly populated. This region is cut by the waters of important rivers like Yamuna, Ganga, Ramganga, Sharda and their tributaries which flow down to the planes bringing with them fertile soil.

1.05 As indicated earlier, two-thirds of the area of the state to the south of the Himalayan foot hills and running from west to east, forms the Gangetic plane which is traversed by the Ganga and its tributaries. The northern strip of the plane close to the Himalayan foot hills, which is narrow in width, has distinctive features of its own and is known as the Bhabar and Tarai belt. The height of the Gangetic plane ranges between 80 and 250 meters. The soil of this plane is alluvial and very fertile and about 70 per cent of the land is under cultivation. The whole plane is densely populated and is immensely vital for the economy of the state.

1.06 The southern most part of the state comprises the southern hills and plateau with an average height of 300 meters and mainly composed of sedimentary rocks and Bundelkhand granite. Cultivation is done in only 50 per cent of the area. The land is not very suitable for agriculture due to configuration and the rocky nature of the soil. The yield is poor and low-value food crops are mainly grown. This region is thinly populated.

1.07 Excepting the hilly areas in the north, the state has a tropical climate with three distinct seasons, viz., the cold season from October to February, the summer season from March to mid-June and the monsoon or rainy season from mid-June to September. The minimum temperature falls below 4°C in many places in January and the maximum temperature rises upto 45°C in May and June. The hilly region in the north, however, experiences a very mild summer and an extremely cold winter with the temperature often dropping several degrees below the freezing point.

1.08 The rains in UP come from the monsoon current from the Bay of Bengal and are caused by the obstruction provided by the high mountain wall in the north. The rainfall, therefore, decreases from east to west and from north to south. While in the Himalayan region the rainfall ranges from 250 mm in the inner mountains to 2000 mm in the outer Himalayas and the southern spurs, the normal annual rainfall in other parts of the state ranges between 800 mm in the western plane and 1200 mm in the eastern plane. The average rainfall in the central part of the Gangetic plane and in the southern hills and plateau is around 900 to 950 mm. Thus, a major portion of the state receives only a modest quantity of rainwater.

### *Population*

1.09 As per 1971 census, UP has a total population of 883.41 lakhs with a density of 300 per sq. km. for the state as a whole which is next to Kerala, West Bengal, Bihar and Tamil Nadu. While this is the position for the state as a whole, the density of population is far below the state average in the northern most Himalayan region as well as the southern hills and plateau. Even in the Gangetic plane which has a density of population well above

the state average, the western and eastern planes are more thickly populated than the central plane.

1.10 Eighty-six per cent of the state's population at 759.53 lakhs is rural. Naturally, therefore, of the total workers in the state at 273.34 lakhs, 77 per cent or 221.52 lakhs depend on agriculture for livelihood. Fifty-seven per cent of the total workers in the state are engaged in agriculture as cultivators and another 20 per cent as agricultural labourers.

### *Principal regions*

1.11 On the basis of agro-climatic conditions, density of population, state of agriculture and the cropping pattern, UP can be divided into five principal economic regions, viz., (i) the Bundelkhand region (BR) representing the southern hills and plateau, the three distinct parts of the Gangetic plane, viz., (ii) the Central region (CR), (iii) the Eastern region (ER), (iv) the Western region (WR), and (v) the Hilly region (HR) representing the Himalayan region of the north. The fifty-seven districts in the state can be grouped under the above five economic regions as shown in Table 1.

TABLE 1

Districts		
	Names	No.
BR	Banda, Hamirpur, Jalaun, Jhansi and Lalitpur	5
CR	Barabanki, Fatehpur, Hardoi, Kanpur-Rural, Kanpur-Urban, Lakhimpur-Kheri, Lucknow, Rae Bareli, Sitapur and Unnao	10
✓ ER	Allahabad, Azamgarh, Bahraich, Ballia, Basti, Deoria, Faizabad, Ghazipur, Gonda, Gorakhpur, Jaunpur, Mirzapur, Pratapgarh, Sultanpur and Varanasi	15
WR	Agra, Aligarh, Bareilly, Bijnor, Budaun, Bulandshahr, Etah, Etawah, Farrukhabad, Ghaziabad, Mainpuri, Mathura, Meerut, Moradabad, Muzaffarnagar, Pilibhit, Rampur, Saharanpur and Shahjahanpur	19
HR	Almora, Chamoli, Dehra Dun, Garhwal, Nainital, Pithoragarh, Tehri Garhwal and Uttar Kashi	8

The above classification of districts into five principal economic regions which is adopted for the formulation of the state's development plans, has also been adhered to by us for presentation of data and consideration of the issues referred to us. However, since the required data are not separately available for the recently formed districts of Ghaziabad, Kanpur-Rural, Kanpur-Urban and Lalitpur, data for the former composite districts have been given in this report and its annexures except wherever data for the new districts have been furnished separately.

1.12 The region-wise area, population, density of population and the proportion of cultivators and agricultural labourers to total workers are given in Table 2.

TABLE 2

	Area in sq. kms	Population in lakhs	Density per sq. km.	Proportion in per cent to total workers of	
				Cultivators	Agricultural labourers
BR	29459	42.90	146	55.5	25.6
CR	45931	157.44	343	62.7	14.3
✓ ER	85629	331.71	387	54.4	28.3
WR	82247	313.14	381	56.0	15.2
HR	51100	38.22	75	70.4	4.9
<b>State</b>	<b>294366</b>	<b>883.41</b>	<b>300</b>	<b>57.4</b>	<b>20.0</b>

The Bundelkhand and Hilly regions account for 4.9 per cent and 4.3 per cent respectively of the state's total population. The district-wise position of the total population and density per sq. km., the break-up of urban and rural population, the population of scheduled castes/tribes and the number of cultivators and agricultural labourers are given in Annexure 2.

#### *Land use*

1.13 The proportion of net area sown in the plane tracts of the state to total geographical area increased from 62 per cent in 1950-51 to 66 per cent in 1972-3. The pattern of land use in 1972-3, region-wise and for the state as a whole is given in Table 3.

TABLE 3

					Lakh Hectares		
	BR	CR	ER	WR	HR		State
			✓		Plane tracts*	Hill portion@	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Forest area	2.33	2.43	8.54	3.83	5.03	27.54	49.70
Area not available for cultivation@@	7.15	10.70	17.11	14.55	0.68	4.23	54.42
Current fallows	0.99	2.23	2.65	3.08	0.10	0.22	9.27
Other cultivable land	1.16	1.35	1.91	1.18	0.03	6.45	12.08
Net area sown	18.35	29.79	57.38	59.25	2.16	5.01	171.94
Total area under land utilization as per village papers	29.98	46.50	87.59	81.89	8.00	43.45	297.41
Area sown more than once	2.04	8.71	18.09	23.14	1.52	3.83	57.33
Gross cropped area	20.39	38.50	75.47	82.39	3.68	8.84	229.27

Note: \* Information in respect of six plane blocks of Nainital district and all the four blocks (including two hilly blocks) of Dehra Dun district.

@ Information in respect of four hilly blocks in Nainital district and 62 blocks from the districts of Almora, Chamoli, Garhwal, Pithoragarh, Tehri Garhwal and Uttar Kashi. This is only conventional information as data for these areas are not collected annually.

@@ Represents barren and unculturable land, land put to non-agricultural uses, culturable waste land, land under permanent pastures and miscellaneous tree crops and groves.

It is evident from Table 3 that about 60 per cent of the area, as per village papers, has been brought under cultivation in the Bundelkhand region. The relevant percentage is 27 for the plane tracts of the Hilly region and 11.5 for the hill portion of the region and as high as 72 for the Western region. Another fact to be noted is that about 63 per cent of the area in the Hilly region is under forests, accounting for roughly two-thirds of the total area under forests in the state.

1.14 The region-wise position of the cropping intensity i.e., the percentage of gross cropped area to the net area sown, is given in Table 4.

TABLE 4

Percentage of gross cropped area over net area sown Cropping intensity	
BR	111.1
CR	129.2
ER	131.5 ✓
WR	139.1
HR	174.6
State	133.3
<b>All-India</b>	<b>117.7</b>

Thus, except in the case of the Bundelkhand region, the cropping intensity in all the other regions in the state is much better than the all-India position. District-wise, in addition to the five districts from the Bundelkhand region, the cropping intensity is relatively low i.e., between 120 and 130 in eleven districts, viz., Fatehpur, Kanpur, Lucknow and Sitapur (CR), Azamgarh, Ghazipur, Mirzapur and Pratapgarh (ER), Agra, Bijnor and Budaun (WR).

#### *Land Holdings*

1.15 The average size of an operational holding in the state works out to just 1.2 hectares. As in the case of other densely populated states, the proportion of small and marginal holdings in UP is very high as may be seen from the data (taken from Agricultural Census 1970-71) given in Table 5.

TABLE 5

Size of holdings in hectares	No. of holdings in lakhs Area in lakhs hectares					
	Hilly portion of hilly region		Plane tracts		State position	
	Number	Area	Number	Area	Number	Area
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Upto 0.5	1.94 (40.4)	0.53 (13.4)	71.17 (46.9)	15.22 (8.6)	73.11 (46.7)	15.75 (8.7)
0.5 to 1	1.56 (32.4)	1.11 (27.9)	29.86 (19.8)	21.44 (12.1)	31.42 (20.1)	22.55 (12.4)
1-2	0.98 (20.3)	1.33 (33.5)	25.91 (17.1)	36.42 (20.5)	26.89 (17.2)	37.75 (20.8)
2-4	0.29 (6.0)	0.76 (19.1)	16.23 (10.7)	44.61 (25.1)	16.52 (10.6)	45.37 (25.0)
Above 4	0.03 (0.9)	0.23 (6.1)	8.42 (5.5)	59.93 (33.7)	8.45 (5.4)	60.16 (33.1)
<b>Total</b>	<b>4.80</b> <b>(100.0)</b>	<b>3.96</b> <b>(100.0)</b>	<b>151.59</b> <b>(100.0)</b>	<b>177.62</b> <b>(100.0)</b>	<b>156.39</b> <b>(100.0)</b>	<b>181.58</b> <b>(100.0)</b>

NB: Figures in brackets indicate percentages to the total.

For the state as a whole, 67 per cent of the total operational holdings are marginal, i.e., less than one hectare each and another 17 per cent are small, i.e., between one and two hectares each. These 84 per cent small or marginal holdings account for only 42 per cent of the area under cultivation. In the hilly areas the position is still worse inasmuch as 73 per cent of the total operational holdings are marginal and another 20 per cent are small.

1.16 The district-wise position relating to the proportion of small and marginal holdings to the total number of holdings is given in Annexure 3. It will be seen therefrom that the proportion of small or marginal holdings is also very high in all the districts from the Eastern region barring Mirzapur and in a majority of the districts from the Central region. The names of the districts in which the relevant proportion is less than the state average of 84 per cent, are given in Table 6.



TABLE 6

Proportion of small or marginal holdings to total number of holdings in per cent	Districts				
	BR	CR	ER	WR	HR
50-60	Hamirpur Jalaun Jhansi (inclusive of Lalitpur)	—	—	—	—
60-70	Banda	—	—	Aligarh Bijnor Mathura Saharanpur	Nainital
70-80	—	Fatehpur	Mirzapur	Agra Bulandshahr Meerut (including Ghaziabad) Moradabad Muzaffar- nagar	—
80-84	—	Kanpur Lakhimpur- Kheri Sitapur	—	Bareilly Pilibhit Rampur	Dehra Dun

Incidentally, with the exception of Lakhimpur-Kheri district, all the above districts from the BR, CR and ER with relatively larger operational holdings, have low cropping intensity. This fact holds good also in the case of Agra and Bijnor districts from the Western region.

#### *Fragmentation of holdings*

1.17 The fragmentation and sub-division of agricultural holdings is another acute problem in UP due to heavy pressure on land, particularly in the Eastern region. The Uttar Pradesh Consolida-

tion of Holdings Act was enacted in 1953, but, as in other states, no significant progress was made in the implementation of the Act until recently. It is only in the last three years that the scheme of consolidation of holdings is being vigorously pursued.

### *Land tenure*

1.18 Prior to independence, *zamindari* and *taluqdari* systems of tenure were prevalent in UP under which a number of intermediaries operated between the state and the tillers of the soil. The *zamindari* system was abolished with the enactment of the Uttar Pradesh Zamindari Abolition and Land Reforms Act 1950 and the Kumaun and Uttarkhand Zamindari Abolition Act of 1960. Further, with the promulgation of an ordinance in January 1977, certain amendments were incorporated in the Act of 1950 referred to above. By virtue of these amendments, the cultivators in the state have been classified into two categories, viz., (i) *bhumidhar* with transferable rights and (ii) *bhumidhar* with non-transferable rights or an *aoami*, and a new section (viz., section 152) incorporated in the principal Act clearly provides that even a *bhumidhar* with non-transferable rights can mortgage, without possession, his interest in his holdings as security for a loan taken from certain specified agencies including a co-operative society or a scheduled bank. Consequently, all the tillers in the state have complete security of tenure and are in a position to mortgage their right or interest in land as security for credit facilities from any of the available institutional sources. It is pertinent to note that as high as 96 per cent of the area under operational holdings, is self-operated and mostly owned by the cultivators themselves.

### *Backward areas*

1.19 Within the state, there are regions which are in relative terms economically under-developed. Twenty-eight districts in the state or one-half of the total can be classified as backward districts. These are 15 districts from the Eastern region, 8 hilly districts and 5 districts comprising the Bundelkhand region. High density of population, heavy dependence on agriculture, very small, fragmented and scattered holdings, lack of non-agricultural employ-

ment leading to under-employment and low standard of living, are the characteristics of the Eastern region. Due to the existence of a large number of small rivers, floods are a recurring feature of the region which greatly hamper agricultural development. Large tracts in Allahabad, Azamgarh, Ballia, Basti, Deoria, Faizabad, Ghazipur, Gorakhpur, Jaunpur and Pratapgarh districts are often affected by floods and heavy rains. On the other hand, chronically drought-affected areas are also mainly situated in this region. The whole of Mirzapur district, Meja and Karchanna *tehsils* in Allahabad district and Chakia *tehsil* in Varanasi district are covered by the Drought Prone Areas Programme (DPAP).

1.20 Poor soil, lack of irrigation facilities, shortage of drinking water, negligible industrial development and paucity of roads in rural areas are special problems of the Bundelkhand region. Three districts from the region, viz., Banda, Hamirpur and Jalaun are covered by the DPAP.

1.21 Although the eight hilly districts are sparsely populated, the proportion of cultivable land to their total area is also very low. Consequently, the pressure of population on the limited cultivable land is high. Difficult terrain of the region, heavy erosion of agricultural land due to uneven topography, poor means of transport and communications, lack of industrialization and shortage of drinking water are other major problems. But a redeeming feature is that this region is very rich from the point of view of horticulture and forestry.

#### *Irrigation facilities*

1.22 Uttar Pradesh has the largest surface and groundwater resources in the country. The ultimate irrigation potential in the state has been placed at 151 lakh hectares by the Irrigation Commission 1972 appointed by the GOI. As against this position, the net irrigated area in the state at 72.89 lakh hectares in 1972-3 forms 42.4 per cent of the net area sown at 171.94 lakh hectares. The relevant national average is 21.8 per cent for 1969-70. District-wise position relating to the proportion of the net irrigated area to the net area sown in 1970-71, is given in Table 7.

TABLE 7

Percentage of net irrigated area to net area sown	Districts				
	BR	CR	ER	WR	HR
(1)	(2)	(3)	(4)	(5)	(6)
70 and above	—	—	—	Aligarh (82) Bulandshahr (78) Meerut (including Ghaziabad) (83) Muzaffarnagar (78)	—
60-70	—	—	—	Etah (61) Mainpuri (67) Mathura (68)	—
50-60	—	—	Azamgarh (53) Basti (54) Faizabad (55) Jaunpur (55) Varanasi (50)	Etawah (54) Saharanpur (53)	—
40-50	—	Lucknow (40) Rae Bareli (46)	Ballia (43) Deoria (47) Gorakhpur (49) Sultanpur (41)	Agra (48) Budaun (41) Farrukhabad (47) Moradabad (49)	Nainital plane tract (40)
30-40	Jalaun (36)	Barabanki (37) Fatehpur (31) Hardoi (33) Kanpur (36) Unnao (39)	Ghazipur (39) Pratapgarh (39)	Bareilly (38) Bijnor (38) Pilibhit (36) Shahjahanpur (30)	Dehra Dun (33)

# IRRIGATION FACILITIES

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(1)	(2)	(3)	(4)	(5)	(6)
20-30	Jhansi (including Lalitpur) (22)	Sitapur (23)	Allahabad (29) Gonda (26) Mirzapur (27)	Rampur (29)	—
Less than 20	Banda (18) Hamirpur (16)	Lakhimpur- Kheri (14)	Bahraich (12)	—	Remaining six hilly dis- tricts and four hilly blocks of Nainital district (12)

Thus, the irrigation facilities are exceptionally good in the districts of Aligarh, Bulandshahr, Etah, Mainpuri, Mathura, Meerut and Muzaffarnagar from the Western region. As a general statement, it can be said that a majority of the districts from the Eastern and Western regions, the districts of Lucknow and Rae Bareli from the Central region and the plane tracts in Nainital district are endowed with good irrigation facilities.

1.23 For the state as a whole, the gross irrigated area in 1972-3 at 85.13 lakh hectares forms 37.1 per cent of the total cropped area. Data regarding the sources of irrigation are available in respect of the net irrigated area in the plane tracts of the state, i.e., barring the 62 blocks in six wholly hilly districts and 4 hilly blocks in Nainital district and are given in Table 8.

TABLE 8

Lakh Hectares

	Sources of irrigation				Net irrigated area	Area irrigated more than once	Gross irrigated area
	Canals	Tube wells	Wells	Other sources			
BR	3.26	0.01	0.53	0.06	3.86	0.29	4.15
CR	5.03	2.27	1.43	1.02	9.75	1.60	11.35
ER	3.84	8.05	7.19	3.72	22.80	1.40	24.20
WR	11.76	15.61	6.94	0.68	34.99	8.38	43.37
HR*	0.66	0.13	—	0.10	0.89	0.56	1.45
<b>Total</b>	<b>24.55</b>	<b>26.07</b>	<b>16.09</b>	<b>5.58</b>	<b>72.29</b>	<b>12.23</b>	<b>84.52</b>

\* Information in respect of Dehra Dun district and plane tracts of Nainital district only.

Canals and tube-wells are the major sources of irrigation in the Central and Western regions. Tube-wells and dug-wells are the main sources of irrigation in the Eastern region.

1.24 The break-up of the above gross irrigated area into area irrigated during *kharif*, *rabi* and *zaid* (summer) seasons and the utilization thereof for the cultivation of food crops and non-food crops, are given in Table 9.

TABLE 9

Lakh Hectares	
Particulars	Gross irrigated area
<b>A Area irrigated during</b>	
<i>Kharif</i>	21.79
<i>Rabi</i>	61.91
<i>Zaid</i>	0.82
<b>Total</b>	<b>84.52</b>
<b>B Area under—</b>	
Food crops	80.97
Non-food crops	3.55
<b>Total</b>	<b>84.52</b>

Note: Information in respect of the plane tracts in the state.

Thus, despite the existence of satisfactory irrigation facilities, food crops dominate the cropping pattern in the state.

### *Cropping pattern*

1.25 Of the gross cropped area of 229.27 lakh hectares, areas extending to 220.43 lakh hectares are in the plane tracts of the state. Break-up of the latter area into area cultivated during the different cultivation seasons and areas under food and non-food crops, is available and is given in Table 10.

TABLE 10

Lakh Hectares

	Area cultivated during			Area under		Gross cropped area
	<i>Kharif</i>	<i>Rabi</i>	<i>Zaid</i>	Food crops	Non-food crops	
BR	7.02	13.35	0.02	19.48	0.91	20.39
CR	19.70	18.60	0.19	35.51	2.98	38.49
ER	42.96	32.22	0.29	73.01	2.46	75.47
WR	41.64	40.32	0.43	73.28	9.11	82.39
HR*	2.07	1.61	0.01	3.31	0.38	3.69
<b>Total</b>	<b>113.39</b>	<b>106.10</b>	<b>0.94</b>	<b>204.59</b>	<b>15.84</b>	<b>220.43</b>

\* Information in respect of Dehra Dun and the plane tracts of Nainital district.

About 93 per cent of the gross cropped area in the state is under food crops. The relevant percentage is slightly lower at 89 in the case of the Western region. From the view point of agricultural production, the *kharif* and *rabi* seasons assume more or less equal importance almost throughout the state.

1.26 Particulars about the principal crops grown in the state with area covered in 1972-3 and its percentage to total cropped area are given in Table 11.

TABLE 11

Crop	Area covered in lakh hectares	Percentage to total
(1)	(2)	(3)
A <i>Foodgrains</i>		
(a) <i>Kharif</i>		
Paddy	43.74	19.1
Maize	14.83	6.5
Bajra	10.86	4.7
Jowar	7.29	3.2
Mandua, Sawa, Kodo, Kutki, etc.	7.27	3.2
Pulses mainly Urad	1.70	0.7

	(1)	(2)	(3)
(b) <i>Rabi</i>			
Wheat		61.35	26.8
Gram		19.21	8.4
Barley		12.88	5.6
Peas		6.64	2.9
Pulses mainly Tur and Masoor		7.53	3.3
B <i>Oil Seeds</i>			
Rapeseed and mustard		15.59	6.8
Groundnut		3.15	1.4
Other oil seeds mainly Til and Alasi		1.26	0.5
C <i>Cash crops</i>			
Sugarcane		13.08	5.7
Potato		1.72	0.8
Others mainly Cotton, Tobacco, Jute		1.17	0.4
<b>Total</b>		<b>229.27</b>	<b>100.0</b>

Paddy and wheat together account for 46 per cent of the total cropped area. Maize, bajra and jowar during *kharif* and gram, barley and pulses during *rabi* are other important crops. Rapeseed and mustard are the important oilseed crops. Sugarcane, and to some extent, potato are the important cash crops. Broadly, the main crops grown in the districts in the Gangetic plane are wheat, paddy, maize, barley, gram and sugarcane. While jowar, wheat and gram are the main crops of the Bundelkhand region, paddy, wheat and mandua are grown in the hilly areas. The position of the district-wise cropping pattern is available in Annexure 4. It will be seen therefrom that while districts from the Eastern region account for a major portion of the acreage under paddy, those from the Western region account for a major portion of the acreage under wheat. Lakhimpur-Kheri (CR), Deoria (ER), Bijnor, Meerut, Moradabad, Muzaffarnagar, Pilibhit and Saharanpur (WR) are the major sugarcane producing districts.

#### *Crop out-turn*

1.27 Uttar Pradesh is one of the major foodgrains producing states in the country. It leads all the states in the production of



wheat, barley, maize, gram, tur, rapeseed and mustard, sesamum, linseed, sugarcane and potato. The state is also a net exporter of rice, bajra, gram and pulses. The state's share in the national foodgrains production during the period 1970-71 to 1973-4, is given in Table 12.

TABLE 12

Year	Foodgrains production		Million Tonnes
	UP	India	Percentage of col. (2) to col. (3)
	(1)	(2)	
1970-71	19.48	108.40	18.0
1971-2	17.67	104.70	16.9
1972-3	18.13	97.10	18.7
1973-4	15.56	103.60	15.1

Uttar Pradesh had relatively a bad agricultural year in 1973-4. Its total foodgrains production in 1975-6 is estimated at the record level of 19.55 million tonnes. This forms 16.9 per cent of the total national foodgrains production at 116 million tonnes. Thus, on an average, the state's share in the country's foodgrains production can be placed at around 17 per cent.

1.28 The out-turn of major crops grown in the state in 1972-3 and 1973-4 is given in Table 13.

TABLE 13

Crop	Production in lakh tonnes in	
	1972-3	1973-4
(1)	(2)	(3)
Rice	32.72	38.59
Maize	13.57	10.88
Bajra	7.20	7.90
Jowar	5.20	4.72
Wheat	75.15	58.79
Barley	13.00	11.66
Pulses	29.22	18.50
Oilseeds	15.91	15.54
Sugarcane	567.27	607.73
Potato	16.03	17.21

The output of wheat, oil seeds and potato in the state in 1975-6 is estimated at 85 lakh tonnes, 20 lakh tonnes and 26 lakh tonnes respectively. As per preliminary estimates, the state's rice production in 1976-7 is placed at the record level of 44.20 lakh tonnes.

1.29 As against an increase of 23 per cent during the ten-year period 1950-51 to 1960-61, the state's foodgrains production increased by 34.4 per cent during the period 1960-61 to 1970-71. But during the next five years ending with 1975-6, there has been only a marginal increase in the state's foodgrains production mainly on account of the decline in production first in 1971-2 and again in 1973-4. Besides, the *kharif* crops in some parts of the state were extensively damaged by drought in 1974-5. However, a welcome trend has been emerging during the last two years. The state's foodgrains production in 1975-6 is higher by 19 per cent than in 1974-5. Wheat production increased by 21 per cent during that period. The production of rice in 1976-7 is estimated to be higher by 26 per cent than in 1974-5.

1.30 But despite the existence of relatively better irrigation facilities, the average per hectare yields of the principal crops grown in the state do not compare favourably with the all-India position as may be seen from the data for 1972-3 given in Table 14.

TABLE 14

	Average per hectare yield in quintals					
	Rice	Maize	Wheat	Gram	Rapeseed and mustard	Sugar-cane
	(1)	(2)	(3)	(4)	(5)	(6)
BR	6.82	10.15	11.59	7.24	3.47	261.20
CR	7.72	8.77	10.45	8.18	6.28	359.27
ER	6.48	8.65	10.04	7.36	3.84	399.05
WR	9.05	9.47	14.19	8.02	5.79	470.43
HR	11.10	10.40	11.69	3.17	4.97	418.04
UP	7.48	9.15	12.25	7.61	5.38	433.70
All India	10.73	10.84	12.54	6.44	5.47	499.75

Thus, continued efforts for improving productivity in agriculture are necessary to ensure a rapid development of the economy of the state.

*Use of fertilizers*

1.31 The total consumption of chemical fertilizers in the state which stood at as low a figure as 0.85 lakh tonnes in 1966-7 progressively increased to 5.12 lakh tonnes in 1972-3. The use of chemical fertilizers declined slightly thereafter partly because of the relatively unfavourable agricultural seasons and partly also on account of the high cost thereof. But with the reduction in the prices of fertilizers first in July 1975 and again in December 1975 as also on account of added efforts by the extension staff, the trend has been reversed. In 1976-7, the consumption of fertilizers increased by 70 per cent during *kharif* and 45 per cent during *rabi* in relation to consumption thereof in the respective agricultural seasons of the previous year, i.e., 1975-6. Upto 31 January 1977 during the current year, i.e., 1976-7, 7.39 lakh tonnes of fertilizers have been distributed. Judged by this trend, we expect the use of fertilizers in the state to increase rapidly.

1.32 In 1972-3, the average per hectare consumption of fertilizers in the state worked out to 22.32 kgs. as against the all-India average of 16.46 kgs. In this respect, UP stands almost on par with Andhra Pradesh and Kerala, but next to and well below Punjab and Tamil Nadu. District-wise, the position differs widely as may be seen from the data given in Table 15.

TABLE 15

Average per hectare consump- tion of fertilizers in kgs. in 1972-3	Districts				
	BR	CR	ER	WR	HR
(1)	(2)	(3)	(4)	(5)	(6)
50 and above	—	—	—	Meerut (53) Muzaffar. nagar (57)	—
40-50	—	—	Deoria (42)	Rampur (44)	—

(1)	(2)	(3)	(4)	(5)	(6)
25-40	—	—	Faizabad (38) Ghazipur (25) Gorakhpur (31) Jaunpur (26) Varanasi (37)	Agra (30) Bijnor (32) Buland-shahr (31) Farrukhabad (36) Moradabad (28) Pilibhit (26) Saharanpur (38)	—
20-25	—	Barabanki (23)	Ballia (22) Basti (23) Sultanpur (22)	Aligarh (21) Bareilly (24) Budaun (21) Etah (20) Mainpuri (23)	Dehra Dun (21)
10-20	—	Fatehpur (13) Kanpur (16) Lakhimpur-Kheri (19) Rae Bareli (16) Sitapur (12) Unnao (13)	Allahabad (19) Azamgarh (19) Gonda (15) Mirzapur (11) Pratapgarh (15)	Etawah (15) Mathura (14) Shahjahanpur (17)	All other districts in the hilly region including plane tracts in Nainital district (14)
Below 10	Banda (4) Hamirpur (3) Jalaun (9) Jhansi (6)	Hardoi (9)	Bahraich (8)	—	—

In as many as 30 districts, mostly from the Bundelkhand, Central and Hilly regions, the average consumption of fertilizers is well below the state average.

*High-yielding varieties programme*

1.33 The high-yielding varieties programme in the state extends to the cultivation of exotic paddy and hybrid maize, jowar and bajra during *kharij* and high-yielding dwarf wheat during *rabi*. Although the programme in respect of hybrid maize, jowar and bajra is not popular, its coverage in respect of paddy and wheat crops is constantly on the increase as may be seen from Table 16.

TABLE 16

Year	Coverage in lakh hectares				
	Exotic paddy	Hybrid			High-yielding wheat
		Maize	Jowar	Bajra	
1972-3	10.61	0.19	(490)	0.67	33.62
1973-4	10.78	0.16	0.02	0.45	39.78
1974-5	14.25	0.20	—	0.45	—
1975-6	15.93	0.24	—	0.77	46.38
1976-7*	16.00	0.60	0.08	0.78	—

\* Target.

It is reported that there is no system of selecting farmers for participation in the programme. All progressive farmers with assured irrigation and willing to apply the recommended doses of fertilizers are deemed as covered by the programme. But no farm plans are prepared for them.

*Other programmes*

1.34 Thirty-two districts in the state, either wholly or in part, are covered by the SFDA, DPAP and Dry Farming Programmes as per details given in Table 17.

TABLE 17

District	Total number of blocks	Number of blocks covered under		Number of villages covered under Dry Farming
		SFDA	DPAP	
BR Banda	13	—	6	—
Hamirpur	11	—	5	—
Jalaun	9	—	3	—
Lalitpur	NA	—	—	15
CR Fatehpur	13	12	—	—
Hardoi	19	6	—	—
Kheri	15	5	—	—
Rae Bareli	16	16	—	—
Sitapur	19	4	—	—
Unnao	16	5	—	—
ER Allahabad	27	8	8	—
Bahraich	19	5	—	—
Ballia	18	5	—	—
Basti	32	6	—	—
Ghazipur	16	6	—	—
Gonda	25	6	—	—
Gorakhpur	21	7	—	—
Jaunpur	20	4	—	—
Mirzapur	20	—	15	105
Pratapgarh	15	14	—	—
Sultanpur	19	4	—	—
Varanasi	22	5	3	—
WR Agra	18	—	—	38
Bareilly	15	5	—	—
Budaun	18	10	—	—
Farrukhabad	14	7	—	—
Mainpuri	15	7	—	—
Mathura	12	7	—	—
Meerut	25	10	—	—
Moradabad	19	6	—	—
Shahjahanpur	14	4	—	—
HR Garhwal	14	8	—	—

*Major development schemes*

1.35 A major development project called the Tarai Seeds Project was launched in the state in June 1969. The project has been sponsored by the G. B. Pant University of Agriculture and Technology, Pant Nagar (Nainital district), and is the first of its kind in the country. It aims at increasing the production, processing and marketing of high-yielding varieties of foodgrains seeds by 46,000 tonnes annually. The total cost of the project is Rs 16.8 crores; the assistance from the International Development Association (IDA) being Rs 9.8 crores. Out of this amount, refinance to the extent of Rs 6.8 crores is being routed through the Agricultural Refinance and Development Corporation (ARDC)/State Bank of India. The scope of this project is being widened. Consequently, it will be called the State Seeds Project and will ensure involvement of two other agricultural universities at Kanpur and Faizabad.

1.36 Another IDA/ARDC aided project is the Uttar Pradesh Agricultural Credit Project which aims at financing on-farm investments such as construction of masonry wells or dug-wells, shallow tube-wells, medium-depth tube-wells, persian wheels and installation of electric and diesel pumpsets in 14 districts from the Eastern region of the state. The total cost of the project is Rs 54.30 crores, the assistance of IDA/ARDC being Rs 28.50 crores which is being routed through the Uttar Pradesh State Co-operative Land Development Bank and some select commercial banks. The project which was launched in October 1973 was scheduled to be completed by 31 December 1976. This date has since been extended by one year. The GOUP has also approached the IDA for extension of the area of the project to the entire state.

1.37 In the state sector, the GOUP have set up three separate command area development authorities, one each for the development of the command areas coming under the Gandak, the Ramganga and the Sharda Sahayak major irrigation projects. Some relevant information about the irrigation potential already created and likely to be created is given in Table 18.

TABLE 18

Particulars	Project		
	Gandak	Ramganga	Sharda Sahayak
(i) Beneficiary districts	Deoria and Gorakhpur from Eastern region	Fatehpur and Kanpur from the Central region, Allahabad from the Eastern region and Agra, Aligarh Etawah, Farrukhabad, Saharanpur, Muzaffarnagar, Meerut, Bulandshahr, Mathura and Mainpuri from the Western region	Barabanki, Lakhimpur-Kheri and Sitapur from the Central Region and Azamgarh, Faizabad, Ghazipur, Jaunpur and Sultanpur from the Eastern region
(ii) Total number of blocks in the beneficiary districts	60	240	152
(iii) Number of blocks in the command area	31	201	74
(iv) Total additional irrigation potential expected to be created (lakh hectares)	3.08	5.70	15.00
(v) Additional irrigation potential already created upto 1975-6 (lakh hectares)	0.60	1.50	1.83

The development of command areas of the above projects when completed would substantially increase the irrigation facilities and in turn agricultural production in the beneficiary blocks/districts.



*Overall picture*

1.38 To sum up, judged by the performance during 1975-6 and 1976-7, UP can be deemed as on the threshold of a breakthrough in the agricultural sector, the development of which is very vital for the economy of the state. One major problem is to ensure the development of the twenty-eight relatively under-developed districts from the Bundelkhand, Hilly and Eastern regions. Sufficient attention is being given to this aspect. Plans are afoot for judiciously tapping the available surface and underground water resources, improving the farm practices and infra-structural facilities and for rapidly pushing through the programme of consolidation of holdings particularly in the Eastern region. All these efforts would call for complementary action on the part of agricultural credit institutions in the state for ensuring adequate supply of credit for the success of these development programmes.

## CREDIT POTENTIAL

1.39 In order to assess the dimension of responsibility on the agricultural credit institutions in UP in the sphere of short-term agricultural credit which is the field of our enquiry, it is desirable to estimate first the short-term credit potential in the state. The most appropriate way of calculating the potential is to multiply the area under different crops by the prescribed scales of finance. But not all the amount so reckoned can be deemed as the institutional credit potential because firstly, a part of the outlay is met by the farmers themselves and secondly, not all the cultivators approach the institutional sources for credit and even if they do so, they do not draw credit to the full extent of their eligibility. Thus, only 40 per cent to 50 per cent of the total outlay on cultivation as arrived above may be treated as the credit potential.

1.40 But, for the estimation of credit potential on the above lines, data about cropping pattern, not only district-wise but also block-wise are necessary. This is because our terms of reference require us to identify areas in each district with large credit gaps and suggest institutional arrangements for bridging the credit gaps

in such areas. In the absence of data about block-wise cropping pattern, therefore, another method for estimation of the credit potential has to be considered. The next best alternative is to go by the expected average credit supply per hectare of cropped area. This alternative was adopted by the Working Group on Co-operation for the Fifth Five Year Plan appointed by the GOI (Fifth Plan Working Group) and was also endorsed by the Rajasthan, Madhya Pradesh and Bihar Study Teams appointed in recent years by the RBI. On the basis of expected average credit supply of Rs 250 per hectare of irrigated land and Rs 125 per hectare of unirrigated land, the Fifth Plan Working Group estimated the short-term agricultural credit requirements for the country as a whole at Rs 3,000 crores. We are of the view that for the calculation of short-term agricultural credit potential in UP the same norms as suggested by the Fifth Plan Working Group, can be adopted subject to suitable modifications in the case of districts where either (i) the cultivation of crops requiring larger outlay is predominant, or (ii) the area under low-value food crops requiring very limited outlay is extensive. The modifications in this behalf which we consider as the most appropriate, are given in Table 19.

TABLE 19

Districts	Expected average per hectare credit supply in rupees in respect of	
	Irrigated land	Unirrigated land
(1)	(2)	(3)
(i) All districts from the Hilly region, barring Dehra Dun and Nainital, in which only minor millets like mandua are extensively grown in unirrigated tracts	250	75
(ii) All districts from the Bundelkhand region and Mirzapur district from the Eastern region in which soils are relatively poor and cultivation of low-value crops like jowar and bajra in the unirrigated areas is largely undertaken	250	100

(1)	(2)	(3)
(iii) The districts of Lakhimpur-Kheri and Sitapur (Central region), Deoria (Eastern region), Bareilly, Bijnor Meerut; Moradabad, Muzaffarnagar, Pilibhit, Rampur, Saharanpur and Shahjahanpur (Western region) in which one-tenth or more of the total cropped area is under sugarcane which is extensively grown in the irrigated areas	375	125
(iv) All other districts—the same norms as adopted by the Fifth Plan Working Group	250	125

In the case of Dehra Dun and Nainital districts, which are partly hilly, the same norms as suggested by the Fifth Plan Working Group are considered appropriate as it is presumed that the short-fall in the average per hectare credit supply in the hilly blocks will be offset by corresponding higher average per hectare credit supply in the plane tracts of these districts in which sugar-cane is an important crop.

1.41 On the basis indicated in the above paragraph, the total short-term agricultural credit requirements in UP for the gross cropped area of 229.27 lakh hectares (85.13 lakh hectares irrigated and 144.14 lakh hectares unirrigated) in 1972-3, work out to Rs 415.32 crores. The district-wise position is given in Annexure 5. The region-wise position is available in Table 20.

TABLE 20

	Short-term agricultural credit potential (Rs crores)
BR	26.62
CR	64.57
ER	126.24
WR	183.63
HR	14.26
<b>State</b>	<b>415.32</b>

For the estimation of short-term agricultural credit potential as above, it is assumed that cultivators in the state are, by and large, progressive enough to benefit from the use of inputs like fertilizers and that the timely supply of the required quantity of fertilizers in all areas throughout the state, is not lacking. With the increasing attention that is being given by the state government to further improve the agricultural extension machinery and streamline the arrangements for the distribution of fertilizers and other inputs it may not be unreasonable to expect that the external constraints of the above type which affect adversely recourse to credit institutions, will stand substantially removed during the course of the next five years, i.e., by 1981-2. We, therefore, place the total short-term agricultural credit potential in UP at Rs 415.32 crores or, say, Rs 415 crores in 1981-2.

1.42 As against the above estimate of the short-term credit potential, the pacs in the state, with support from the higher financing agencies, can be deemed to have met in 1975-6 credit needs to the extent of short-term agricultural loans issued by them in that year (Rs 100.16 crores) plus the overdues in respect of such loans as on 30 June 1975 (Rs 62.31 crores) on the assumption that, all defaulters can be said to have enjoyed the benefit of co-operative credit to the extent of their respective defaults. Thus, the short-term agricultural credit requirements met by the pacs in the state in 1975-6 may be placed at Rs 162.47 crores leaving a credit gap of Rs 252.85 crores which works out to 61 per cent of the credit potential at Rs 415.32 crores. The district-wise position of the existing credit gaps is available in Annexure 5. The credit gaps in the various districts and for the state as a whole should have been narrowed now because of the improved performance of co-operative credit agencies in 1976-7. However, they have still a long way to go and perhaps their efforts in this behalf would have to be supplemented by commercial banks. It is in this context that the next three chapters of this report have been devoted to an appraisal of the performance so far of all the institutions engaged in the provision of agricultural credit in the state with a view to apportioning later the responsibility in that behalf among them.

## CHAPTER 2

### STATE AND DISTRICT CO-OPERATIVE BANKS

2.01 THE short-term co-operative credit structure in Uttar Pradesh comprises a state co-operative bank called the Uttar Pradesh Co-operative Bank (UPCB), 55 district or central co-operative banks (DCBs) and a number of primary agricultural credit societies (pacs) at the base. This chapter deals with the assessment of performance of the upper two-tiers of the credit structure, viz., the UPCB and the DCBs, and the role which can be assigned to them in meeting short-term credit needs of agriculture. It may be recalled that the All India Rural Credit Review Committee (AIRCRC) 1969 had observed that the co-operative credit institutions in the state had not reached any significant level of efficiency and the scale of their operations was too low to make any effective impact on the economy of the cultivator. This situation, by and large, continued upto about 1974-5. But since then, on the initiative of the Co-operation Department of the GOUP, considerable strides have been made to improve the situation. We have taken note of these welcome developments in projecting their role in the future. This chapter is divided into three sections. While Section I deals with the UPCB, we have in Section II reviewed the performance of the 55 DCBs in the state. Based on the findings in the first two sections and our recommendations for ensuring sustained growth of business of these banks, we have, in Section III, estimated the level of financial support that may be made available in 1981-2 by the UPCB and the DCBs together to the pacs in meeting short-term agricultural credit needs of cultivators in the state.

## SECTION I

## UTTAR PRADESH CO-OPERATIVE BANK

2.02 The UP CB came into being in 1944-5 and was included in the Second Schedule to the Reserve Bank of India Act, 1934 in July 1966. The membership of the bank consisting of the DCBs, other co-operative societies and the state government as at the end of June 1975 stood at 593. In the year 1968-9, on the advice of the GOUP action was initiated to bring about the merger of the Uttar Pradesh Industrial Co-operative Union with the UP CB, but the orders therefor were issued by the RCS on 31 July 1973. The actual merger of the accounts and membership of the two institutions was effected on 31 December 1975. Consequently, 551 industrial societies of the primary, district and state level type joined the membership of the UP CB which increased to 1143 as on 30 June 1976 as per the break-up given in Table 1.

TABLE 1

Category	Membership as on 30-6-1976
GOUP	1
DCBs	56@
Marketing societies	86
Housing societies	111
Cane Unions	110
Primary societies	95
Large-sized societies	3
Industrial societies	551
Other societies	130
<b>Total</b>	<b>1143</b>

@ Includes Radhasoami Central Co-operative Bank, Dayalbagh, since converted into an urban bank

Normally, a bank like the UP CB organized primarily as a federation of the DCBs in the state, should not have on its membership co-operative institutions operating at the primary level or

within a district and these institutions should legitimately be affiliated to the respective DCBs. We are of the view, therefore, that by virtue of amendment of either the relevant byelaws of the UP CB or the State Co-operative Societies Act/Rules, as may be deemed necessary, the membership of the UP CB may be kept open exclusively to the DCBs in the state, other state level co-operative institutions and the GOUP. This, however, will be possible only after the Court case referred to in paragraph 2.03 below is decided. Once this is done, the UP CB may take suitable follow-up action to remove from its membership the institutions not covered by the above categories or alternatively, if the institutions are indebted as in the case of housing societies, convert their status to that of nominal members.

### *Management*

2.03 As per its byelaws, the number of the directors on the board of the UP CB cannot exceed fifteen, comprising two directors nominated by the GOUP, twelve directors representing the DCBs at the rate of one director from each revenue division and one director representing all other types of co-operative societies. The last elections to the board were held on 31 December 1974. However, pending a decision on a dispute referred to the Court about the participation of representatives of certain affiliated societies in the proceedings of the general body, functioning of the elected board had been stayed and the RCS took over as the Administrator of the bank with effect from 12 May 1975. The Court has since decided the matter and in terms of its judgement dated 11 March 1977 directed the RCS to make arrangements to hold fresh elections in accordance with Section 29 of the Uttar Pradesh Co-operative Societies (Amendment and Validation) Act, 1976. In the meantime, by virtue of a fresh order dated 15 March 1977, the RCS continues to be the Administrator of the bank.

2.04 Although 21 per cent of the state's total population and 22.6 per cent of its rural population consists of scheduled castes, there is no specific provision in the byelaws of the UP CB to give them special representation on its Board. We are, however, happy to note that the GOUP have since taken action to

amend the Uttar Pradesh Co-operative Societies Rules with a view to providing suitable representation to the 'weaker sections' on the boards of management of certain types of co-operative institutions and that the term 'weaker sections' includes scheduled castes/tribes, landless agricultural labourers and small/marginal farmers. Accordingly, the relevant amended Rule will provide for reservation of two seats for the 'weaker sections' on the board of directors of the UP CB. Further, if the election of two directors as above is not possible, the GOUP will be empowered to nominate a director or two directors from the 'weaker sections' to ensure the prescribed representation. We, however, suggest that by convention at least one of these two directors may be from scheduled castes and further at least one of these two should be on the Executive Committee of the bank.

2.05 Of the two nominees of the GOUP on the Board of the UP CB, which functioned up to 11 May 1975, one was the Special Secretary in the Finance Department and the other was a non-official. The main purpose of providing for government nomination on the board of any apex bank is to associate officers connected with agricultural production, co-operation and finance with the affairs of the bank. We, therefore, suggest that the byelaws of the UP CB may be amended to provide for three nominees of the GOUP on its Board and these may be the Special Secretary, Finance Department, the Director of Agriculture and the RCS or an Additional RCS on the Board of the bank. The byelaws should also specifically provide for the inclusion of the RCS/Additional RCS on the Executive Committee constituted by the Board.

2.06 In view of the proposed representation to 'weaker sections' and our recommendation contained in paragraph 2.05 above, the ceiling on the total strength of the Board of the UP CB fixed at 15 will have to be raised to 18 by suitable amendment of the relevant byelaw.

#### *Chairman*

2.07 In terms of the bank's byelaw No. 10, the Chairman of the bank is in overall charge of the bank and is required to



exercise general control and supervision over the affairs of the bank. He is also empowered to exercise all the powers of the Board whenever, in his opinion, an unforeseen situation warranting prompt action has arisen.

#### *Administrative set up*

2.08 The Secretary since designated as the Managing Director is the chief executive of the bank. In terms of Section 31 of the Uttar Pradesh Co-operative Laws (Amendment and Miscellaneous Provisions) Act, 1976, he shall be a government servant not below the rank of Class I officer nominated by the state government and his services shall be deemed to be on deputation with the bank which shall meet his salary and allowances as determined by the state government. The present Managing Director (MD) of the UP CB is an Additional Registrar of Co-operative Societies placed on deputation with the bank. The MD is assisted by three Deputy Secretaries and a complement of officer staff numbering about 59 (Selection Grade-2, Grade I-34, Grade II-21 and Grade III-2). In addition, six officers of the Co-operation Department are on deputation with the bank. Of the 59 officers in the employment of the bank, only nine, i.e., two in Selection Grade and seven from Grade I, have received special training in banking and co-operation. It is desirable that the remaining officers are also trained at the Reserve Bank's College of Agricultural Banking at Pune.

#### *Regional Offices/Branches*

2.09 The bank has in all 12 branches one each at Agra, Faizabad, Bareilly and Sitapur and four each at Lucknow and Kanpur. The branches are provided with staff comprising branch accountants and assistants, their strength depending on the size of each branch. Besides, there are three pay offices, one each at Bazpur (Nainital), Majahola (Pilibhit) and Sathiaon (Azamgarh). These are one-man offices opened mainly for financing and supervising the co-operative sugar factories located at these centres. In addition, there are nine regional offices with jurisdiction as shown in Table 2.

TABLE 2

Name of the Regional Office	Jurisdiction over Revenue Division/s	Number of DCBs controlled
1 Agra	Agra	5
2 Bareilly	Bareilly	14
	Moradabad	
	Garhwal	
	Kumaun	
3 Faizabad	Faizabad	6
4 Gorakhpur	Gorakhpur	4
5 Jhansi	Jhansi	4
6 Kanpur	Allahabad	5
7 Lucknow	Lucknow	6
8 Meerut	Meerut	6
9 Varanasi	Varanasi	5

The regional offices which are manned by an officer in Grade I (designated as the Regional Officer) assisted by a clerk-cum-typist, function mainly to (i) supervise and guide the DCBs in the region in all matters in regard to advances, recovery of loans and maintenance of accounts, (ii) assist the DCBs in complying with the statutory requirements, i.e., submission of various statutory and other returns, (iii) help the DCBs in the rectification of the defects pointed out in the inspection reports of the RBI and also in the preparation of credit limit applications and (iv) carry out inspections of each DCB twice in a year. The inspections generally cover matters like the maintenance of books of account and preparation of returns, etc., but exclude a critical examination of the loan policies and utilization of the advances, etc. The loan accounts of all the DCBs in the state are maintained by the head office which also directly attends to withdrawals from, and remittances to, such accounts. Still, the responsibilities devolving on the regional offices are quite heavy. In view of this position, the extensive jurisdiction of the regional office at Bareilly and the special problems of the DCBs functioning in the Hilly region which we have discussed later in Chapter 3, we suggest that the UPCB may open a separate regional office each in the Garhwal and Kumaun divisions to exercise supervision over the banks.

#### *Staffing Pattern Study*

2.10 Another question that needs consideration is whether the

present strength of staff and the organizational set up in the UPGB is adequate to cope with the responsibilities devolving on it as an apex institution of the state which has a predominantly agricultural economy and in which as many as 55 DCBs are functioning. Finding that this aspect by itself would require an in-depth examination, a team of officers from the RBI's ACD, at the instance of the RCS undertook, in August 1976, a study of the existing organizational structure and the staffing pattern of the UPGB and the DCBs in the state. The observations and recommendations made following this study are contained in a detailed report (Staffing Pattern Report). Observing that the existing staff position in the UPGB and its organizational set up are not adequate to enable the bank to play the role expected of it in strengthening and developing the co-operative credit structure in the state, the Report has suggested that at the head office of the bank, there may be five major divisions each headed by a Manager or a Deputy Manager (Deputy Secretaries to be re-designated as Managers following the redesignation of the Secretary as the Managing Director) and assisted by suitable number of officers in Grades I and II with main functions as shown in Table 3.

TABLE 3

Division	Functions
I Administration	Administration of personnel, establishment, man-power development and training
II Accounts	Accounts and financial management, inspections of regional offices and branches
III Inspection and Supervision	Inspections of/visits to DCBs, recovery and rehabilitation of weak DCBs
IV Operations	Sanction of credit limits and borrowings from the RBI, Government, etc.
V Planning and Development	Formulation of schemes and programmes for development in various spheres including deposit mobilization, promotion of industrial co-operatives, co-operative marketing and processing, etc., and Board matters.

The UPCB has been contemplating to set up a separate training institution of its own with a view to providing suitable training facilities to the staff of the apex bank as well as the DCBs. With the setting up of such an institution, as recommended in the Staffing Pattern Report, a full-fledged division for attending to training matters will be formed in the head office of the bank in pursuance of a suggestion made in the said Report. The Report suggests that the scope of inspections of the DCBs by the regional offices should be widened to cover aspects like appraisal of the loans portfolio, review of the rehabilitation scheme, where applicable, etc. Besides, these offices should be actively associated with the development of business of the DCBs as also the strengthening of the primary credit structure in their region. Posting of a Development Manager in Selection Grade assisted by two or more other officers in Grade II in each regional office, a suitable staffing pattern for the branches, some of which may be vested with the function of disbursement of loans under limits sanctioned by the head office, are other relevant suggestions.

2.11 One important suggestion relates to the maintenance of a common cadre by the UPCB of (i) officers below the rank of the Deputy Secretaries in the apex bank and (ii) the key officers in the DCBs, with a view to inducting persons of professional competence at these levels who then will be equipped to assume greater responsibilities. Some aspects relating to such a cadre, in particular the economics and financial arrangements, have been discussed by us later in Chapter 8.

2.12 The recommendations contained in the Staffing Pattern Report have been accepted by the GOUP and we are happy to note that the RCS has already initiated action for their implementation. We would, however, recommend posting of a Secretary or a General Manager between the Managing Director and the Managers/Deputy Managers in charge of five main divisions in the head office of the UPCB. For, with the future development that we have envisaged in this report, the duties and responsibilities of the MD of the UPCB will be multifarious, warranting assistance from a senior officer at the head office and for field work.

2.13 We are also aware that the strengthening of the organizational set up and the adoption of the staffing pattern of the UP CB as proposed would substantially increase its establishment expenditure which, in the interest of the efficiency of the co-operative credit structure, is unavoidable. As a compensation, ways and means for increasing the earnings of the UP CB will have to be considered. This issue has been considered by us later in this chapter after a review of the financial position of the bank.

#### *Financial position*

2.14 A statement showing the comparative financial position of the bank for the years 1971-2 to 1975-6 and as on 31 December 1976 is given in Annexure 6. It will be seen therefrom that the bank's owned funds as well as deposits have been increasing steadily and were at Rs 15.01 crores and Rs 75.30 crores as at the end of June 1976 as against Rs 10 crores and Rs 31.19 crores respectively as at the end of June 1972. As on 31 December 1976 the owned funds and deposits stood at Rs 15.35 crores and Rs 82.17 crores respectively. The growth in deposits of the bank which was by about Rs 10.50 crores in 1972-3 declined to an increase of Rs 7.50 crores in 1973-4 and further to about Rs 6 crores in 1974-5. But the bank's deposits registered a sharp increase of almost Rs 20 crores in 1975-6. The proportion of fixed deposits to the total deposits which stood at 68 per cent at the end of June 1973 increased to 78 per cent by June 1975, but again declined to 76 per cent as at the end of June 1976. As at the end of December 1976, about three-fourths of the deposits mobilized by the bank are in the form of fixed deposits.

2.15 As already stated, the bank has 11 branches (excluding the one opened at Kanpur in January 1977) and three pay offices. The performance in mobilization of deposits by these branches as at the end of June 1975 and as on 31 December 1976 is given in Table 4.

TABLE 4

Name of Branch/office	Rs Crores							
	Deposits							
	Total		Individuals		DCBs		Other institutions	
	30.6.75	31.12.76	30.6.75	31.12.76	30.6.75	31.12.76	30.6.75	31.12.76
1 M. G. Road, Lucknow	32.25	44.08	3.62	6.26	10.00	14.73	18.63	23.09
2 Naka Hindola, Lucknow	1.07	1.69	0.51	0.77	0.04	0.14	0.52	0.78
3 Niralanagar, Lucknow	2.41	3.28	0.39	0.80	2.00	2.32	0.02	0.16
4 Vidhan Sabha Marg, Lucknow	9.27	19.14	2.86	8.43	0.84	1.16	5.57	9.55
5 Navin Market, Kanpur	1.37	1.99	0.74	1.01	0.49	0.79	0.14	0.19
6 D. A. V. College, Kanpur	1.42	2.13	1.29	1.70	—	0.18	0.13	0.25
7 Sarvodaya Nagar, Kanpur	2.08	1.90	1.93	1.54	—	0.10	0.15	0.26
8 Agra	0.63	1.40	0.12	0.46	0.44	0.83	0.07	0.11
9 Bareilly	1.85	2.97	0.40	0.80	1.40	2.02	0.05	0.15
10 Faizabad	0.65	0.84	0.47	0.68	0.15	0.08	0.03	0.08
11 Sitapur	1.48	2.04	0.68	0.64	0.74	1.22	0.06	0.18
12 Pay Offices	0.17	—	—	—	—	—	0.17	—
13 Head Office	0.52	0.71	0.52	0.57	—	—	—	0.14
<b>Total</b>	<b>55.17</b>	<b>82.17</b>	<b>13.53</b>	<b>23.66</b>	<b>16.10</b>	<b>23.57</b>	<b>25.54</b>	<b>34.94</b>

The instructions of the GOUP to semi-government organizations and local bodies to deposit their surplus funds with the UPCB and the DCBs, have helped the bank in no small measure in its drive for deposit mobilization. Of the increase of about Rs 27 crores in its deposits during the period July 1975 to December 1976, one-third or about Rs 9 crores has been on account of

increase in deposits from these sources. The deposits from individuals also increased by about the same amount during the period as a result of new deposit schemes and taking action to improve customer service. The bank should pursue these steps vigorously to keep the tempo of mobilization of additional deposits with a view to further strengthening its internal resources.

2.16 The UPGB has been able to achieve an average annual growth rate of 24 per cent in deposit mobilization during the period 1971-2 to 1975-6. Even if the bank maintains a lower annual growth rate of, say, 20 per cent during the next 5 years, it should be in a position to raise the level of its deposits to about Rs 187 crores by the end of June 1981. Making allowance for some unforeseen short-falls, we recommend that the bank should set a target of taking up the level of its total deposits to about Rs 175 crores by 30 June 1981.

### *Borrowings*

2.17 The outstanding borrowings of the bank as at the end of June during the period 1971-2 to 1975-6 ranged between Rs 33.43 crores (1974-5) and Rs 8.30 crores (1975-6). Thus, there has been a significant fall in the outstanding borrowings as at the end of June 1976 as the bank was able to clear all its borrowings from the RBI. This is an all-time record accomplished on account of the satisfactory progress of the UPGB in the field of deposit mobilization and the note-worthy recovery performance of the DCBs, none of which was a defaulter to the UPGB as at the end of June 1976. The outstanding borrowings at Rs 8.30 crores as at the end of June 1976 are from the GOUP for financing mainly housing schemes (Rs 5.87 crores), the NCDC for financing processing units (Rs 1.30 crores) and the ARDC for financing construction of godowns (Rs 1.13 crores).

2.18 The short-term agricultural credit limits sanctioned by the RBI to the UPGB on behalf of the affiliated DCBs during the years 1971-2 to 1975-6 and in 1976-7 (up to 31 December 1976) and their utilization is given in Annexure 7. The region-wise position regarding sanction of limits is summarised in Table 5.

TABLE 5

Rs Crores

Short-term (agricultural) credit limits sanctioned by the RBI during the year		BR (4)	CR (9)	ER (15)	WR (19)	HR (8)	TOTAL (55)
1971-2	No. of banks	2	5	14	14	7	42
	Amount	0.85	1.20	9.95	12.90	1.97	26.87
1972-3	No. of banks	3	8	14	17	8	50
	Amount	1.05	3.00	12.10	17.10	2.50	35.75
1973-4	No. of banks	3	6	12	15	8	44
	Amount	0.75	2.05	10.80	11.90	2.35	27.85
1974-5	No. of banks	4	8	13	15	7	47
	Amount	1.55	3.60	13.35	15.80	2.30	36.60
1975-6	No. of banks	4	9	13	16	8	50
	Amount	2.05	5.65	15.33	21.10	2.90	47.03
1976-7 (upto 31-12-76)	No. of banks	4	9	15	19	8	55
	Amount	2.70	10.50	24.72	39.45	4.05	81.42

NB: Figures in brackets indicate the number of DCBs in the respective regions.

The names of banks which had not been sanctioned limits for more than one year during the five-year period from 1971-2 to 1975-6 are given in Table 6.

TABLE 6

DCBs not sanctioned short-term credit limit by RBI during the five-year period from 1971-2 to 1975-6 for		Banks
All 5 years		Aligarh
4 years		Kanpur (1971-2 to 1974-5) Sultanpur (1971-2 to 1974-5)
3 years		Etah (1971-2, 1972-3 and 1975-6)
2 years		Banda (1971-2 and 1972-3) Mahoba-Hamirpur (1971-2 and 1973-4) Biswan-Sitapur (1971-2 and 1973-4) Balarampur-Gonda (1974-5 and 1975-6) Agra (1973-4 and 1974-5) Bareilly (1971-2 and 1973-4) Mathura (1974-5 and 1975-6)



With the exception of a fall in 1973-4, the aggregate limits sanctioned by the RBI progressively increased though at a modest rate up to 1975-6. For the current year, i.e., 1976-7, however, the increase in the aggregate amount of limits sanctioned by the RBI is Rs 34 crores which is due partly to the co-operative credit structure taking up the function of financing sugarcane cultivation under the new cash credit system.

### *Deficits in nodc*

2.19 A statement indicating the failure of DCBs in providing non-overdue cover for their borrowings under the RBI limits for short-term agricultural purposes, is given in Annexure 8. It will be seen therefrom that most of the DCBs had deficits one time or the other, in almost all the years during the four-year period 1971-2 to 1974-5 presumably on account of unsatisfactory overdues position at their level. The position, however, has shown considerable improvement in the year 1975-6, when only 21 DCBs had deficits in non-overdue cover and that also mostly for a month or two only.

### *Defaults in repayment of dues to the apex bank*

2.20 The position of defaults committed by the DCBs in repayment of their dues to the UPGB during the co-operative years 1971-2 to 1975-6, is given in Annexure 9. The number of banks committing defaults was between 30 and 35 during 1971-2 to 1973-4. This number came down to 28 in 1974-5 and further to 23 in 1975-6. The position has shown salutary improvement thereafter inasmuch as no bank was in default to the apex bank during the period 30 June 1976 to 31 December 1976 as against 9 defaulting banks as on 30 June 1975 and 14 banks as on 30 June 1974.

### *Loans and advances*

2.21 There has been a steady increase in the bank's loan business during the five-year period. The loans outstanding at the

end of 1971-2 at Rs 54.06 crores increased to Rs 82.93 crores as at the end of June 1975. The outstanding advances as at the end of June 1976 had come down to Rs 66.48 crores. However, the fall in outstandings is not due to reduction in the loan business, but on account of better recovery performance in respect of loans advanced to the DCBs. The outstanding advances as at the end of 31 December 1976 were of the order of Rs 101.97 crores. The total loans issued by the bank have increased from Rs 81.43 crores in 1971-2 to Rs 251.66 crores in 1975-6. The short-term agricultural loans issued have also been on the increase. The loans issued for this purpose in the year 1973-4 were of the order of Rs 54.92 crores which increased to Rs 61.50 crores in 1974-5 and further to Rs 71.25 crores in 1975-6. In the year 1976-7, during the half-year ending 31 December 1976, short-term agricultural loans issued by the bank have been of the order of Rs 52.69 crores. Of the short-term agricultural loans issued by the bank in 1975-6 at Rs 71.25 crores, about Rs 40 crores were issued in the second half of the year, i.e., during the period January-June 1976. On this basis, the short-term agricultural loans issued during the year 1976-7 may reach a level of not less than Rs 110 crores, as against the target fixed at Rs 150 crores. The expected increase of about Rs 40 crores in the disbursement of short-term agricultural loans by the UP CB in 1976-7 can in part be attributed to the integration of financing of cane cultivation with the co-operative credit structure.

2.22 Another notable feature is the increase in the disbursement of loans in kind which increased from Rs 25.77 crores in 1974-5 to Rs 34.33 crores in 1975-6. Such loans issued during the half-year July-December 1976 are of the order of Rs 23.45 crores and should go up to the level of at least Rs 45 crores by the end of June 1977.

2.23 A purpose-wise break-up of the bank's outstanding loans and advances as on 31 December 1976 is given in Table 7.

TABLE 7

	Purpose	Outstandings (Rs crores)	Percentage to total
1	Agricultural		
	(a) Short-term	70.25	68.9
	(b) Medium-term	5.32	5.2
	(c) Medium-term conversion	0.59	0.6
2	Sugar factories (interim and working capital)	7.89	7.7
3	Fertilizer distribution to PCF	5.30	5.2
4	Housing	4.02	3.9
5	Other processing societies	2.94	2.9
6	All others (weavers' and industrial societies, individuals, etc.)	5.66	5.6
	<b>Total</b>	<b>101.97</b>	<b>100.0</b>

About three-fourths of the bank's outstanding advances are for agricultural purposes. The outstanding short-term agricultural loans alone formed 69 per cent of the total outstanding advances. Such loans are not remunerative, unless a major portion thereof is from out of funds borrowed at a concessional rate from the RBI. But the bank's own involvement in short-term agricultural loans to DCBs has been steadily on the increase as may be seen from the DCB-wise details contained in Annexure 10 and the overall position given in Table 8.

TABLE 8

Rs Crores			
Position as at the end of	Outstanding borrowings for short-term agricultural purposes from RBI	Outstanding short-term agricultural advances to DCBs	UPCB's involve- ment col. (3) —col. (2)
(1)	(2)	(3)	(4)
June 1972	10.28	27.26	16.98
June 1973	17.36	33.37	16.01
June 1974	16.59	40.68	24.09
June 1975	28.18	55.36	27.18
September 1975	26.21	52.00	25.79
December 1975	31.44	61.51	30.07
March 1976	35.84	61.91	26.07
June 1976	Nil	38.13	38.13
September 1976	Nil	42.25	42.25
December 1976	26.32	70.25	43.93

Thus, since June 1975, the bank's own involvement in short-term agricultural loans has been always above Rs 25 crores and exceeded Rs 38 crores after June 1976. The bank's average involvement out of its internal resources in short-term agricultural loans to DCBs for the four quarters of the year 1975-6 works out to about Rs 30 crores. As against this position, the bank's total owned funds stood at Rs 15.23 crores. Deducting therefrom the Agricultural Credit Stabilization Fund at Rs 4.75 crores and investments in fixed assets and deadstock at Rs 0.11 crore, the bank's disposable owned funds work out to Rs 10.37 crores or, say, Rs 10 crores. Assuming that the proportion between the bank's involvement out of disposable owned funds in short-term agricultural loans and the total disposable owned funds is the same as the percentage of outstanding short-term agricultural loans to the total loans and advances, about 70 per cent of the disposable owned funds of the bank or Rs 7 crores can be deemed as the bank's involvement out of its disposable owned funds in short-term agricultural loans. Thus, the average involvement in 1975-6 of the bank in such loans out of its deposit resources works out to Rs 23 crores (i.e., Rs 30 crores less Rs 7 crores). This being the position, it will be worthwhile to work out the cost of short-term agricultural loans made by the bank out of its deposit resources to the DCBs.

#### *Cost of short-term agricultural credit*

2.24 The rate of interest charged by a bank for a given type of loans is not necessarily an index of all the costs incurred in handling the loans. The charge may be lower for various reasons. Firstly, the bank may have the facility of refinance at specially low rates of interest. Secondly, a part of the managerial or risk cost may be subsidised by the government. Finally, the loss incurred in charging interest at a rate lower than the cost may be recouped by the bank charging a rate much above the cost to its other clientele. Since the UPGB has been involving a substantial part of its disposable deposits in short-term agricultural loans, it will be interesting to find out the cost of the deposits to it and other relevant costs in advancing short-term agricultural loans to the affiliated DCBs and see whether these are covered fully by the interest charged.

2.25 The different types of costs incurred by an apex bank providing short-term agricultural credit out of its deposit resources to the DCBs are: (i) the cost of raising deposits, including the cost of administering them, (ii) the risk cost and (iii) the tax cost.

2.26 The cost of raising deposits for the UPGB for the years 1973-4 to 1975-6 has been worked out in Table 9 below:

TABLE 9

Rs Lakhs

Year	Average of total deposits as at the end of four quarters in the year	Total interest paid on deposits for the year	Cost of raising deposits in per cent per annum
1973-4	4221.12	209.24	4.96
1974-5	4689.42	318.67	6.80
1975-6	5832.07	414.04	7.10

The cost of raising deposits has been going up for two reasons, viz., shift towards fixed deposits which, on an average, formed 69 per cent of the total deposits in 1973-4 as against 77 per cent in 1975-6, and increase in the rates of interest on deposits made effective following the increase in the Bank Rate in July 1974. In addition, to comply with the statutory requirements and to meet the claims of the depositors, a part of the deposits mobilized are invested in readily realisable assets like cash, balances in current account with RBI/SBI, etc., and government and trustee securities. The return on the first two is nil and on the government and trustee securities is at a rate lower than the average rate of interest on deposits. Some additional cost is, therefore, involved for keeping a part of the deposits in readily realisable assets and this may be termed as the liquidity cost.

2.27 The proportions in which the various types of readily realisable assets or liquid assets were actually maintained by the UPGB in 1975-6 and the average return received by it on its investments in government and trustee securities, have been worked out in Table 10.

TABLE 10

	Rs Lakhs
(a) Average weekly position in 1975-6 of	
(i) Deposits	5592.60
(ii) Investments in cash and balances in current account with other banks	341.85
(iii) Investments in government and trustee securities*	1341.31
(b) Percentage of a(ii) to a(i)	6.01
(c) Percentage of a(iii) to a(i)	23.98
(d) Interest received on government and trustee securities at (a)(iii) above during 1975-6	77.97
(e) Percentage of (d) to a(iii)	5.81

\* Unencumbered portion and excluding those representing investment of Agricultural Credit Stabilization Fund.

Thus, in 1975-6, the UPGB had invested Rs 6.01 in cash/balances in current account with other banks and Rs 23.98 in government and trustee securities per Rs 100 of deposits. The return on the investments in government and trustee securities of Rs 23.98 was at 5.81 per cent. On this basis, the cost of loanable deposit funds has been worked out at 8.16 per cent as shown in Table 11.

TABLE 11

	Amount Rs	Rate per cent	Interest value Rs
Deposits	100.00	7.10	7.10
Cash and balances in current account	6.01	—	—
Investments in government and trustee securities	23.98	5.81	1.39
Loanable deposits/funds	70.01	8.16*	5.71

$$\frac{* 5.71 \times 100}{70.01} = 8.16$$

In other words, the actual cost of deposits available for loaning is higher by as much as 1.06 per cent than the cost on account of interest alone.

2.28 The cost of administering or handling deposits can be worked out by deducting from the total cost of management the costs of servicing owned funds, borrowings, loans other than for short-term agricultural production and the investment portfolio. For the UP CB, the calculations are contained in Table 12.

TABLE 12

		Rs Lakhs
Item	Basis	Actual amount
(a) Cost of management	Total expenditure less interest paid on deposits/ borrowings for 1975-6	140.87
(b) Cost of servicing owned funds	0.25 per cent of owned funds at Rs 15.23 crores	3.81
(c) Cost of servicing borrowings and short-term agricultural loans	0.50 per cent of average outstanding borrowings in 1975-6 at Rs 34.23 crores	17.12
(d) Cost of servicing loans other than for short-term agricultural production	1 per cent of average outstanding advances other than for short-term agricultural production in 1975-6 at Rs 26.33 crores	26.33
(e) Cost of servicing investments	0.25 per cent of average investments in government and trustee securities in 1975-6 at Rs 17.87 crores	4.47
(f) Cost of administration of deposits	(a)-[(b)+(c)+(d)+(e)]	89.14

NB: Averages at items (c), (d) and (e) are as at the end of four quarters in 1975-6.

The cost of administration of deposits as above works out to 1.53 per cent of the average of deposits as at the end of four quarters in 1975-6 at Rs 58.32 crores.

2.29 The risk cost of issuing short-term agricultural loans to the DCBs should not be high, as these loans, though may turn out to be sticky, do not become bad. In fact, for the UP CB, no occasion has arisen to write off agricultural loans. But the bank has been called upon to make contributions to the rehabilitation funds for weak pacs maintained at the levels of DCBs

and all irrecoverable agricultural loans at the primary level are to be written off by debit to these funds. The aggregate contribution made by the UPGB during the last three years was of the order of Rs 29.45 lakhs which works out to an average contribution of Rs 9.82 lakhs per year. The latter forms 0.17 per cent of the average of outstanding short-term agricultural loans as at the end of four quarters in 1975-6 at Rs 57.61 crores. Thus, the risk cost for the UPGB can be placed at 0.17 per cent.

2.30 The tax cost would relate to the tax of 7 per cent paid by the UPGB on the amount of interest earned by it on short-term agricultural loans to the DCBs. At the rate of interest of 8.50 per cent per annum which is charged by the UPGB on such loans, the interest tax per Rs 100 of short-term loans would work out to Re 0.60. The tax cost can, therefore, be placed at 0.60 per cent.

2.31 Thus, for the UPGB, the total cost of issuing short-term agricultural loans to DCBs out of its deposit resources will be 10.46 per cent as given in Table 13.

TABLE 13

Type of cost	Cost in per cent
Cost of raising deposits including liquidity cost	8.16
Cost of administration of deposits	1.53
Risk cost	0.17
Tax cost	0.60
<b>Total</b>	<b>10.46</b>

As against the above position, the UPGB lends for short-term agricultural purposes to DCBs at 8.50 per cent. On the loans made out of deposit resources for which the cost works out at 10.46 per cent, the bank incurs, therefore, a loss of 1.96 per cent. For an average involvement of Rs 23 crores in the above type of loans in 1975-6 out of deposit resources, the bank may have suffered a total loss of income of Rs 45.08 lakhs. It will be in the bank's interest, therefore, to minimise this loss and improve its overall profits.



*Case for diversification of loans portfolio*

2.32 A way out for the UPGB to compensate the above loss of income is to take full advantage of the cheaper funds available from the RBI for short-term agricultural financing not at the cost of additional deposits, but by deploying its internal resources to the maximum extent possible in other more remunerative sectors so as to improve the average return on the total advances. How the UPGB stands in this respect in comparison with the apex bank for Maharashtra which has a well diversified advances portfolio, can be assessed from the comparative position given in Table 14.

TABLE 14

Name of the apex bank	Outstanding loans and advances	Interest earned on advances	Rs Crores
			Average return on advances in per cent
Uttar Pradesh	83.94*	7.73**	9.21
Maharashtra***	233.69	22.17	9.49

\* Average of position as at the end of four quarters of 1975-6.

\*\* In 1975-6.

\*\*\* Figures for 1974-5.

The average return on advances for the Maharashtra State Co-operative Bank (MSCB) is higher by 0.28 per cent than that for the UPGB despite the fact that the former bank charges a rate of interest of 8 per cent on its short-term loans to DCBs as against 8.50 per cent charged by the UPGB. This is because the share of short-term loans in total outstanding advances works out to only 18 per cent for the MSCB as against 70 per cent for the UPGB.

2.33 For improving the average return on advances, therefore, the UPGB has to reduce its involvement out of deposit resources in short-term agricultural loans to DCBs. We are of the view that it should be enough if the bank's involvement out of its own resources is maintained at 25 per cent of the short-term agricultural loans outstanding against the DCBs. For the ave-

rage outstanding short-term loans to DCBs in 1975-6 at Rs 57.61 crores, the UPCB's own involvement should have been, on an average, Rs 14.40 crores. Deducting from this, the investment out of owned funds estimated at Rs 7 crores, deposits should have been involved to the extent of Rs 7.40 crores or, say, Rs 8 crores, as against Rs 23 crores estimated earlier. Thus in our opinion, the UPCB, on the basis of position in 1975-6, should be in a position to transfer its own involvement of Rs 15 crores in short-term agricultural loans to other remunerative sectors. This figure may since go up because of further mobilization of deposits by the bank and its increasing involvement out of deposit resources in short-term agricultural loans.

2.34 But one may contend that despite the heavy involvement of its own in short-term agricultural loans earning less than what the funds cost to it, the profit position of the UPCB is quite good as may be seen from Table 15.

TABLE 15

				Rs Lakhs
Year	Working capital	Net profit	Percentage of col. (3) to col. (2)	Dividend declared in per cent
(1)	(2)	(3)	(4)	(5)
1973-4	91,54.11	72.24	0.79	5
1974-5	105,47.87	91.82	0.87	5
1975-6	103,32.90	107.79	1.04	To be declared

The ratio of net profit to working capital of 1.04 per cent which the UPCB has achieved in 1975-6, is deemed quite satisfactory. There are two reasons for this. Firstly, the bank's earnings by way of interest received on money at call and short notice with other banks (mainly public sector banks) have been very good in recent years, due to the prevalence of high call money rates. But this cannot be taken as a regular feature. Secondly, considering the number of DCBs affiliated, the level of deposits and the advances, the bank's cost of management is relatively low as may be seen from the comparative position for some state co-operative banks for the year 1974-5 contained in Table 16.

TABLE 16

Name of state co-operative bank	Number of DCBs controlled	Deposits	Advances	Rs Crores
				Cost of manage- ment *
Madhya Pradesh	43	18.01	63.31	1.25
Maharashtra	25	162.52	233.69	2.45
Tamil Nadu	16	34.79	73.78	1.27
Uttar Pradesh	55	55.17	82.93	1.27

\* All expenditure exclusive of interest paid on deposits and borrowings.

Further, with the implementation of the recommendations in the Staffing Pattern Report for strengthening the organizational set up, the bank's management cost will go up appreciably. In view of all this, the permanent solution lies in the bank making concerted efforts to diversify its advances portfolio, if it is to maintain the present ratio of net profits to working capital.

#### *Scope for diversification*

2.35 It is necessary, therefore, to examine the scope for the bank to diversify its loans portfolio to include other more remunerative clients, particularly when the development of co-operative activity in sectors other than agricultural credit is very limited. As the things stand presently, the bank should be able to involve its available resources further in two activities, viz., fertilizer distribution and procurement of foodgrains. The bank's present involvement is around Rs 5 crores in the former activity. Two state-level co-operative institutions, viz., the Provincial Co-operative Federation (PCF) and the Cane Unions' Federation are responsible for fertilizer distribution in the state. The former enjoys aggregate credit facilities to the extent of Rs 32 crores from the banking sector for the purpose including Rs 5 crores from the UP CB and the latter of Rs 18 crores in which the share of the UP CB is nil. As for the procurement of foodgrains, which again is entrusted to the PCF, the credit requirements estimated at Rs 45 crores are being totally met by the public sector banks. There is no reason why the UP CB should not be allowed to involve its internal resources further in each of the

above two sectors. On the basis of its financial position as on 31 December 1976, the bank can spare additional Rs 25 crores for financing the above two activities without leading to concentration of advances in any of these sectors. We recommend, therefore, that when meetings are convened in future for fixing the total size of credit limits from the banking sector for financing fertilizer distribution and procurement of foodgrains in UP, the Credit Planning and Banking Development Cell of the RBI may ensure the participation of the UPGB. The RBI's ACD may assist the bank in the matter. Further, as a matter of policy, priority may be given for participation of the UPGB in the financing of these activities while fixing shares of the different banks.

2.36 The main agro-based industry of the state, i.e., the sugar industry, has been mainly in the private sector. Organization of co-operative sugar factories has commenced only in the recent years and three units have commenced production. In addition to providing to the co-operative sugar factories interim finance pending release of instalments of block capital loan from a term lending institution, the working capital requirements of the three co-operative factories are being met by the UPGB. The bank's total involvement in advances to co-operative sugar factories at Rs 7.89 crores as on 31 December 1976, forms 7.7 per cent of its total outstanding loans and advances. Abiding by the canons of prudent banking, the bank has scope to increase this involvement up to 15 per cent of its total advances. The problem is non-existence of adequate number of units in the co-operative sector and this problem will continue at least for some years to come. In such a situation, the point for consideration is whether the bank should be allowed to finance the Uttar Pradesh Sugar Corporation for meeting the working capital requirements of the sugar factories managed by it. The Corporation which has been organized by the GOUP to take over private sick units as also install new units, manages presently eight sugar factories. After the nationalization of 14 major commercial banks in 1969, these banks are urged to give greater attention to priority sectors of the economy and in that context are financing a number of co-operative processing, marketing and consumers stores societies. With the satisfactory record of co-operative banks in some areas in recent years in the field of mobilization of internal resources

and the consequent availability of surplus loanable funds with them after meeting adequately the demands of the co-operative sector there seems to be no reason why these banks should not be allowed to finance non-co-operative undertakings. The idea that co-operative and commercial banks should confine their financing operations respectively to the co-operative sector and the other sectors is no longer valid. The choice of the agency should be left now to the borrower and should no longer be determined on ideological considerations. We are of the opinion, therefore, that considering the satisfactory resources position of the UPCB, its capacity to ensure a certain minimum involvement of its own in agricultural loans, the urgency for diversification of its advances portfolio to improve its income earning capacity and the lack of scope to diversify lendings within the co-operative sector, the RBI, as a special expedient, may agree to permit the UPCB to provide working capital finance to the sugar factories managed by the Uttar Pradesh Sugar Corporation. Each such proposal will be covered by the credit authorization scheme of the RBI which can ensure that the UPCB's total involvement in the sugar factories, both co-operative and managed by the Corporation, does not exceed 15 per cent of its total advances. The RBI may review the decision permitting the bank to finance sugar factories run by the Corporation after a period of, say, five years. It may be mentioned that the RBI has already permitted the UPCB to finance two units managed by the Corporation. What is necessary is to follow-up the above action by a policy decision subject to the conditions proposed by us.

2.37 As a long-term solution, however, the UPCB will have to assume a much greater responsibility than at present in the promotion and development of various sectors of co-operative activity right from the stage of project formulation and, towards this end, we hope action will be taken by the bank to organize a separate Planning and Development division with an Industrial Cell at its head office as proposed in the Staffing Pattern Report.

2.38 One important sphere in which co-operative development is almost lacking in UP is the field of urban banking. The co-operative banking sector in the state has not been, therefore, able to play any role in financing artisans, small entrepreneurs

in the interest of ensuring free flow of institutional agricultural credit in the area.

*Number of banks*

2.42 With the implementation of the programme of rationalization with a view to having only one bank per district, the number of DCBs in UP declined from 65 in 1951-2 to 57 in 1961-2 and further to 56 in 1971-2. With the conversion of the erstwhile Radhasoami central co-operative bank, Dayalbagh (Agra) into an urban bank, the existing number of DCBs in the state is 55. While the Jhansi, Kanpur and Meerut DCBs serve the areas of the former composite districts of the same name, two DCBs, viz., Roorkee and Saharanpur function in the Saharanpur district. The latter bank serves the entire district barring Roorkee tehsil. Region-wise, the number of banks is as in Table 17.

TABLE 17

	Districts	DCBs
BR	5	4
CR	10	9
ER	15	15
WR	19	19
HR	8	8
<b>State</b>	<b>57</b>	<b>55</b>

The number of offices (including head office) of these banks increased from 582 at the end of June 1971 to 685 at the end of June 1976. There are in all 875 development blocks in the state which means a large number of them do not have any office of a DCB. The Co-operation Department of the GOUP has, therefore, launched a programme of branch expansion so as to ensure that every block in the state is served by a branch of the DCB of the district. This programme should be carried out as quickly as possible.

*Growth of business*

2.43 A statement indicating the overall progress of the DCBs in the state during the years 1971-2 to 1975-6 is given in

Annexure 11. Bank-wise position for each individual unit as on 30 June 1976 is available in Annexure 12. The owned funds of the banks increased from Rs 23.62 crores as on 30 June 1972 to Rs 37.73 crores as on 30 June 1976, i.e., by about Rs 15 crores; the increase in the paid-up capital and reserves being by about Rs 11 crores and Rs 4 crores respectively. Additional contribution to the paid-up capital of the banks made by the GOUP during the period was about Rs 3 crores. The total deposits of the banks increased by Rs 42.81 crores to Rs 91.67 crores during the period. The average annual growth rate during the four-year period works out to about 23 per cent. The growth in deposits of the banks which was by about Rs 13 crores in 1972-3, declined to Rs 8 crores in 1973-4 and further to Rs 6 crores in 1974-5. However, the trend was reversed in 1975-6 when the deposits of the banks increased by about Rs 16 crores. It is heartening to note that the satisfactory performance in the mobilization of additional deposits during 1975-6 has been maintained in the current year. It is reported that on account of a drive undertaken for the mobilization of deposits at the instance of the Co-operation Department, the deposits of the DCBs in the state have increased by about 23 per cent during the period July-December 1976. Moreover, bulk of the additional deposits mobilized are from sources other than the affiliated co-operative institutions.

2.44 Another welcome trend is the increase in the loan operations of the banks. The total loans issued by the banks which amounted to Rs 78.09 crores in 1971-2 increased to Rs 124.27 crores in 1975-6, i.e. by Rs 46.18 crores mainly on account of the increase in loans issued for seasonal agricultural operations. The loans issued for seasonal agricultural operations increased by Rs 39.44 crores to Rs 91.55 crores during the period. Here again the growth of about Rs 18 crores in 1972-3 declined to as low a level as Rs 2 crores in 1973-4 and further to Rs 1 crore in 1974-5. But the position improved substantially in 1975-6 when the loans issued for seasonal agricultural operations by the DCBs increased by about Rs 20 crores. Further, this trend has been maintained during the current year.

2.45 The increase in the total loans outstanding at the level of the DCBs in the state was from Rs 85.56 crores as on 30 June 1972

to Rs 119.24 crores as on 30 June 1976, i.e., by Rs 33.68 crores. The lower increase in the loans outstanding *vis-a-vis* the loans issued has been on account of the very good recovery performance of the banks in 1975-6. For the same reason, the outstanding borrowings of the DCBs in the state increased during the period by mere Rs 2.16 crores to Rs 43.66 crores as on 30 June 1976. As on that date, none of the DCBs in the state was in default to the UPCB.

2.46 The position of the total overdues of the DCBs in the state as percentage to total outstandings is given in Table 18.

TABLE 18

Year	Total loans outstanding	Total loans overdue	Rs Crores
			Percentage of col. (3) to col. (2)
(1)	(2)	(3)	(4)
1971-2	85.56	40.89	48
1972-3	105.84	50.24	47
1973-4	115.43	63.06	55
1974-5	124.75	73.72	59
1975-6	119.24	55.93	47

The overdues of the banks which progressively increased until 30 June 1975 stood substantially reduced as on 30 June 1976. Six banks had overdues of 60 per cent and above of the demand as on 30 June 1974. This number increased to 12 as on 30 June 1975 but declined to only 3 as on 30 June 1976. As many as 39 banks had overdues of less than 40 per cent of the demand as on 30 June 1976 as against only 13 as on 30 June 1975 and 19 as on 30 June 1974.

2.47 In a nutshell, the overall position of the DCBs in UP which had progressively deteriorated during 1973-4 and 1974-5, particularly in the three important spheres of deposit mobilization, agricultural loan operations and recovery, improved substantially in 1975-6 in all the three spheres. Besides, the progress witnessed in 1975-6 in the fields of deposit mobilization and agricultural loan operations has been maintained during the



current year i.e., 1976-7. There is no reason why these banks should not also be able to ensure in future a better recovery performance as in 1975-6. Thus, by and large, the DCBs in UP with the support of the UP CB can be counted upon as the main source of supply of short-term credit for agricultural production in the state.

### *Comparative position*

2.48 It may, however, be interesting to find out where do the DCBs in UP stand *vis-a-vis* the average position of central banks in the country and in some major states. The relevant averages for the purpose as on 30 June 1976 for the banks in UP and as on 30 June 1975 for the banks in the country and in other states, are given in Table 19.

TABLE 19

	Rs Lakhs				
	Average per bank in respect of the banks functioning in				
	Uttar Pradesh	Madhya Pradesh	Maharashtra	Tamil Nadu	All-India
Owned funds	68.60	62.69	206.88	187.18	92.37
Deposits	166.68	101.07	802.64	420.49	236.16
Working capital	333.97	314.57	1419.53	1097.95	540.42
Loans outstanding	216.80	241.11	1023.79	848.86	395.08
Loans issued for seasonal agricultural operations	184.63	136.78	527.01	483.71	221.66

From Table 19, it is evident that although the average position of the banks in UP is more or less on par with the position of banks in MP, the averages for the former are lower than the all India averages. Further, continued efforts on the part of the DCBs in UP are called for to maintain the growth in their operations witnessed during the last and the current year, if these banks are to reach, over the period of the next five years, the level of operations of the banks in the co-operatively developed states like Maharashtra and Tamil Nadu.

*Scope of enquiry*

2.49 While the above is the overall picture, the scope of our enquiry calls for an assessment of the performance of each DCB in the state to decide whether it has justified its existence. In all, 30 banks in the state have been identified as weak units by the RCS and the cases of 16 of them have been approved by the GOI for assistance under the Central Sector Plan Scheme for the rehabilitation of weak ccbs. The cases of the remaining 14 banks have been recommended for similar assistance by GOUP to the GOI. The names of these 30 banks are given in Table 20.

TABLE 20

DCBs identified as weak units with reference to financial position as on			
	30-6-71 and approved for assistance by the GOI	30-6-72 and approved for assistance by the GOI	30-6-73 and recommended for assistance to the GOI
BR	Hamirpur (Mahoba) Jhansi	Banda Jalaun (Orai)	—
CR	Hardoi Kanpur Mohanlalganj (Lucknow) Unnao	—	Biswan (Sitapur)
ER	Sultanpur	Ballia Ghazipur	Azamgarh Balrampur (Gonda) Gorakhpur Mirzapur
WR	Bareilly Mainpuri	Etah Farrukhabad (Fatehgarh) Rampur	Aligarh Etawah Mathura Meerut Moradabad Roorkee Saharanpur Shahjahanpur
HR	—	—	Almora

However, the identification of these banks as weak units has been made with reference to their financial position as on, or prior to, 30 June 1973. Since then and particularly during 1975-6, the position of many of these banks should have improved considerably. Thus, the classification of a bank as a weak unit for the specific purpose of the Central Sector Plan Scheme will not necessarily reflect its incompetence to function as the central financing agency in its district. We are, therefore, of the view that the performance of each individual DCB in the state should be judged with reference to its financial position as on 30 June 1976.

2.50 The issue in question was examined in detail in recent years by the Study Teams appointed by the RBI for Rajasthan, Madhya Pradesh and Bihar. All these Teams are of the view that a DCB can justify its continuance as the principal channel for short-term agricultural credit for its area of operation, if it is a viable unit or has the potential for reaching viability in the near future and has also been able to maintain a certain minimum level of efficiency in its operations. We are in full agreement with this approach as the basis for judging the performance of each DCB in UP.

#### *Viability of DCBs*

2.51 It has now been recognized that the norm for determining the viability of a DCB, though related to a certain minimum level of loan business, cannot be uniform for all banks. For, unlike any commercial enterprise, the question is not merely of the ability of the bank to earn profit and pay a reasonable dividend, but also of its capacity to maintain an efficient organizational set up and a good branch net-work, so as to maintain close contacts with affiliated societies and their cultivator-members as also the depositing public. In short, to function as a central financing agency in the true sense of the term, a DCB must maintain a certain minimum number of branches in its area of operations depending upon the business potential available in the area

served as, for obvious reasons, no branch can be allowed to be a losing proposition except for some reasonable initial period. It is in view of this consideration that the adoption of one uniform norm of viability is deemed unrealistic as the business or credit potential offered by the district or the area served and in turn the minimum number of branches necessary differs, and that too in many cases widely, from bank to bank.

2.52 The above reasoning has been accepted by the Madhya Pradesh and Bihar Study Teams referred to earlier which have suggested that every bank should have one branch for catering to about 20 viable pacs commanding together a potential short-term agricultural loan business of Rs 40 lakhs in the case of Madhya Pradesh and Rs 50 lakhs in the case of Bihar. As in Bihar, most of the DCBs in Uttar Pradesh serve plane tracts of cultivable land, thereby permitting existence of two viable pacs in relatively closer geographical proximity. Further, the GOUP has re-organized the pacs in the state on the basis of the norm of potential loan business of Rs 3 lakhs per society. We are of the view, therefore, that for the purpose of determining the viability it would suffice, if a DCB in Uttar Pradesh is expected to maintain at least one branch for catering to 15-16 re-organized viable pacs commanding together a potential short-term loan business of about Rs 50 lakhs. On this basis, the minimum number of branches which each DCB in the state should have is given in Annexure 13. But, as indicated later in Chapter 3, the banks in the Hilly region would finance societies which would undertake a variety of functions in addition to the provision of short-term agricultural loans for which there is meagre scope. Each DCB in this region would, therefore, require a minimum of five branches even if in terms of potential for short-term agricultural loan business the number of branches necessary works out to less than five.

2.53 For the sake of convenience in fixing the viability norms, the DCBs in the state may be grouped under six broad categories as shown in Table 21.

TABLE 21

Cate- gory	Banks which need to have bran- ches around	DCBs				
		BR	CR	ER	WR	HR
(1)	(2)	(3)	(4)	(5)	(6)	(7)
I	5	—	Mohan- lalganj (Lucknow)	—	Roorkee	Almora Chamoli Dehra Dun Garhwal Pithoragarh Tehri Garhwal Uttar Kashi
II	10	Jalaun (Orai)	Fatehpur	Ballia Ghazipur Mirzapur Pratapgarh	Pilibhit Rampur	Nainital (Haldwani)
III	15	Banda Hamir- pur (Mahoba) Jhansi	Barabanki Hardoi Rae Bareilly Unnao	Bahraich Faizabad Jaunpur Sultanpur Varanasi	Agra Bijnor Budaun Etah Etawah Farrukha- bad (Fatehgarh) Mainpuri Mathura	—
IV	20	—	Kanpur Lakhim- pur-Kheri Biswan (Sitapur)	Allahabad Azamgarh Balram- pur (Gonda) Gorakhpur Deoria	Bareilly Saharanpur Shahjahan- pur	—
V	25	—	—	—	Aligarh Bulandshahr	—
VI	30	—	—	Basti	Meerut Moradabad Muzaffar- nagar	—

For arriving at the viability and potential viability norms for the above six broad categories of the DCBs, we proceed on the same basis as adopted by the Madhya Pradesh and Bihar Study Teams which is summarized below:

- (i) Firstly, it is necessary to estimate the aggregate expenditure on salaries and allowances including leave salary, provident fund contribution by the employer, etc., of the staff at the head office and the branches of a DCB. Annexure 14 gives the assumed monthly and annual consolidated salary including leave salary, employer's contribution to provident fund, etc., for the different categories of staff normally posted in the head office and the branches of a DCB. Annexure 15 gives the aggregate annual expenditure on the staff at the head office for the six categories of banks separately. The next Annexure, i.e., Annexure 16, gives the total annual expenditure on the staff posted at a branch.
- (ii) On the basis indicated in Annexures 15 and 16, the total annual expenditure on salaries, etc., of staff as also other items of establishment for the six broad categories of DCBs, has been worked out separately in Annexure 17.
- (iii) After estimating the total annual establishment expenditure for the six categories of DCBs, it is necessary to find out the margin per Rs 100 of loans outstanding that will be available to meet the above establishment expenditure after providing for interest on deposits, borrowings as also appropriations to various reserves and for payment of dividend. This exercise is contained in Annexure 18 wherefrom it is seen that a margin of Rs 3.20 per Rs 100 of loans outstanding should be available for a DCB to meet its establishment expenditure.
- (iv) Having worked out the margin (as percentage of loan business) available for meeting the establishment cost, the quantum of loan business necessary to meet the total establishment cost as estimated in Annexure 17, can be worked out separately for each of the six categories of

banks. The amount of loan business so reckoned will be the viability norm for the concerned category of banks.

- (v) Fifty per cent of the viability norm so calculated may be deemed as the norm for a potentially viable bank, on the assumption that a DCB should be able to maintain an average annual growth rate of 15 per cent in its loan business and double its loan business over the period of next five years and attain a viable status.
- (vi) The viability and potential viability norms worked out on the basis indicated in items (iv) and (v) above are given in Annexure 19.

2.54 The procedure detailed in the above paragraphs for determining the viability/potential viability of the DCBs seems reasonably scientific and, therefore, we recommend the same for judging the viability of the DCBs in UP. The viability and potential viability norms recommended are given in Table 22 for ready reference.

TABLE 22

Rs Lakhs

Category	DCBs which need branches around	Norm in terms of loan business	
		Viability	Potential viability
I	5	125.00	62.50
II	10	220.00	110.00
III	15	330.00	165.00
IV	20	405.00	202.50
V	25	515.00	257.50
VI	30	595.00	297.50

Applying the above norms, the position regarding viability or potential viability or non-viability of the 55 DCBs in UP with reference to the total loans outstanding at their level as on 30 June 1976, is given in Table 23.

TABLE 23

	DCBs		
	Viable units	Potentially viable units	Non-viable units
	(1)	(2)	(3)
BR	—	Jalaun (Orai)	Banda Hamirpur (Mahoba) Jhansi
CR	—	Fatehpur Hardoi Lakhimpur-Kheri Mohanlalganj (Lucknow)	Barabanki Biswan (Sitapur) Kanpur Rae Bareli Unnao
ER	Deoria	Allahabad Azamgarh Ballia Basti Ghazipur Balrampur (Gonda) Gorakhpur Jaunpur Mirzapur Pratapgarh Varanasi	Bahraich Faizabad Sultanpur
WR	Bijnor Moradabad Muzaffarnagar Roorkee	Bareilly Budaun Bulandshahr Etawah Farrukhabad (Fatehgarh) Mathura Meerut Pilibhit Rampur Saharanpur	Agra Aligarh Etah Mainpuri Shahjahanpur
HR	Nainital (Haldwani)	Almora Dehra Dun Garhwal Tehri Garhwal	Chamoli Pithoragarh Uttar Kashi



Six of the 55 DCBs in the state, viz., Deoria-Kasia (ER), Bijnor, Moradabad, Muzaffarnagar, Roorkee (WR) and Nainital (HR), are viable units, inasmuch as they are already in a position to sustain the organizational set-up and branch network necessary to efficiently serve their respective areas of operation. Thirty other DCBs are potentially viable units and should be in a position to attain a viable status within the next five years. In fact, the loan business of 12 of these banks is already as much as 75 per cent or above of the level necessary to attain a viable status. These 12 banks are Fatehpur, Mohanlalganj (CR), Allahabad, Ghazipur, Pratapgarh, Varanasi (ER), Bareilly, Bulandshahr, Meerut, Saharanpur (WR) and Tehri Garhwal (HR). But the number of non-viable DCBs in the state at 19 or about one-third of the total is quite high. None of these banks will be in a position to attain the status of a viable unit over the next five years, if the average annual growth rate in their loan business does not exceed 15 per cent. But if strenuous efforts are made by them to maintain a higher growth rate of, say, 20 per cent, eight of these 19 banks will be in a position to reach viability by 30 June 1981. The banks are Banda (BR), Biswan, Rae Bareilly (CR), Agra, Aligarh, Mainpuri, Shahjahanpur (WR) and Pithoragarh (HR). Further, if the average annual growth rate in loan business is as high as 25 per cent, another seven banks which are presently non-viable, viz., Jhansi (BR), Barabanki (CR), Bahraich, Faizabad, Sultanpur (ER), Etah (WR) and Uttar Kashi (HR) should be in a position to attain a viable status by the end of June 1981. However, the cases of remaining four banks, viz., Hamirpur (BR), Kanpur, Unnao (CR) and Chamoli (HR), are difficult inasmuch as, even at the higher growth rates, they may not be in a position to reach a viable status over the period of the next five years.

#### *Assessment of efficiency*

2.55 The issue under our examination would next call for an assessment of the level of efficiency with which each individual DCB in the state is functioning. For such an assessment would, firstly, be an indicator of the prospect of a non-viable unit to reach the viable status and secondly, facilitate identification for each of the 55 DCBs, the spheres of operations, if any, in which their performance has not been up to the expected level, war-

ranting special attention on their part to remedy the deficiencies. Since the time the recommendations of the Maclagan Committee 1915, the policy of having a separate DCB for each district in preference to the branch of the state co-operative bank is being pursued, because the former, on account of its local knowledge and contacts, is better suited to: (i) mobilize deposits in the district or area, (ii) serve adequately the credit needs of the area and (iii) ensure timely recovery of its dues. The Study Teams for Rajasthan, Madhya Pradesh and Bihar appointed by the RBI, therefore, recommended the translation of the above three broad criteria into some objective norms for rating the efficiency of the central co-operative banks in the respective states. The last two Study Teams further improved the methodology by:

- (i) adding two more broad criteria or major norms, viz.,  
(a) ability of the bank to efficiently manage its resources or funds and (b) the role played by it as the federal body of pacs;
- (ii) dividing the above five broad criteria or major norms into 15 objective standards or sub-norms;
- (iii) giving appropriate weightage to each of the 15 sub-norms; and
- (iv) ensuring that the system of rating the performance of a DCB in relation to each sub-norm takes into account the potential available in that behalf in the area of operation of the bank.

The maximum marks allotted by these two Study Teams out of a total of 1000 marks for each major norm with their sub-division among the different sub-norms falling under each major norm, are shown in the chart on the next page. The exact procedure adopted for giving the ratings is given in Annexure 20. We have no reasons to take a different view and, therefore, endorse the procedure suggested for rating the efficiency of the DCBs by the Madhya Pradesh and Bihar Study Teams, for adoption in the case of banks in UP.

2.56 The rating under each sub-norm as also the aggregate rating out of a total of 1000 marks received by each DCB in UP, are available in Annexure 21. The position of aggregate rating received by each DCB in the state, is given in a summary form in Table 24.

CHART  
MAJOR NORMS AND SUB-NORMS  
FOR RATING THE EFFICIENCY OF CCBS

				Marks allo- tted	% to aggre- gate marks
Assessment of efficiency of a ccb  Total marks 1,000 (100%)	I	Performance in mobilizing adequate internal resources <u>Marks allotted</u> 225 or 22.5%	1	Size of owned funds	50 5
			2	Size of deposits	100 10
			3	Extent of reliance on external borrowings	50 5
			4	Size of working capital	25 2½
	II	Performance in meeting credit needs of the area <u>Marks allotted</u> 200 or 20%	5	Total loans outstanding	100 10
			6	Performance in meeting demand for short-term agricultural credit	100 10
	III	Performance in ensuring recovery of loans <u>Marks allotted</u> 300 or 30%	7	Level of overdues	100 10
			8	Proportion of chronic defaults	100 10
			9	Coercive steps taken for recovery	100 10
	IV	Ability in regard to the efficient management of funds <u>Marks allotted</u> 200 or 20%	10	Defaults in repayment to the apex bank	50 5
			11	Defaults in maintaining prescribed percentage of liquid assets	50 5
			12	Rate of dividend	100 10
	V	Role played as federal body of pacs <u>Marks allotted</u> 75 or 7.5%	13	Coverage of pacs	25 2½
			14	Size of loan business of pacs	25 2½
			15	Proportion of pacs with full-time paid managers	25 2½
				1000	100

TABLE 24

DCBs with aggregate ratings in brackets out of total of 1000 marks					
	Below 333	333 to 449	450 to 599	600 to 749	750 and above
	(1)	(2)	(3)	(4)	(5)
BR	Mahoba (278)	Banda (397)	—	—	—
	Jhansi (280)	Jalaun (420)			
CR	Barabanki (320)	Mohanlal-ganj (350)	Fatehpur (583)	Lakhimpur-Kheri (640)	—
	Hardoi (263)				
	Kanpur (303)	Biswan (418)			
	Unnao (285)	Rae Bareli (408)			
ER	—	Azamgarh (398)	Allahabad (486)	—	—
		Bahraich (340)			
		Ballia (408)	Deoria-Kasia (550)		
		Balram-pur (333)	Gorakhpur (458)		
		Basti (390)	Jaunpur (466)		
		Faizabad (360)	Pratapgarh (456)		
		Ghazipur (343)	Varanasi (489)		
		Mirzapur (389)			
		Sultanpur (379)			
WR	Aligarh (253)	Agra (350)	Bulandshahr (477)	Muzaffarnagar (655)	Bijnor (790)
	Etah (253)	Budaun (432)	Etawah (493)		Rampur (760)
	Mainpuri (305)	Bareilly (405)	Fatehgarh (536)		
		Mathura (358)	Meerut (548)		
		Shahjahanpur (366)	Moradabad (537)		
			Pilibhit (538)		
			Roorkee (568)		
			Saharanpur (522)		

	(1)	(2)	(3)	(4)	(5)
HR	—	Garhwal (376)	Chamoli (562)	Almora (640) Dehra Dun (703) Pithoragarh (613) Tehri Garh- wal (600) Uttar Kashi (643)	Haldwani (785)

The efficiency of banks with a total rating of 75 per cent and above can be deemed very good. Those with a rating of 60 per cent to 75 per cent can be treated as working with good efficiency. While the efficiency of banks with ratings between 45 per cent and 60 per cent can be deemed as satisfactory, those with ratings between 33 per cent and 45 per cent can be identified as units with a bare minimum efficiency. The banks with aggregate ratings below 33 per cent have, however, to be classified as inefficient units. Thus, three banks in the state, viz., Bijnor, Rampur (WR) and Haldwani (HR), possess very good efficiency and seven others are rated as having good efficiency. The latter include five banks from the Hilly region whose performance, considering the terrain in which they are operating, is quite good except in the sphere of meeting the credit needs of the area served. While 16 banks have satisfactory efficiency, 20 others have been rated as having barely minimum efficiency. The remaining nine banks with ratings below 33 per cent can be identified as inefficient units.

#### *Future course of action*

2.57 In our opinion, a DCB to claim continued existence should either be a viable unit or if potentially viable, should have at least the bare minimum efficiency to attain viability within a reasonable period of, say, five years. A non-viable or an inefficient bank has no justification to continue to exist in its present form. On this basis, in all 20 banks, i.e., 19 banks identified as non-viable units as stated earlier in paragraph 2.54 (Table 23), eight of which do not have even the bare minimum efficiency

and the Hardoi DCB which though potentially viable has been rated inefficient, have *prima facie*, no justification to continue to exist in their present form. Three of these 20 banks, viz., Chamoli, Pithoragarh and Uttar Kashi serve wholly hilly districts and have been rated as working with at least satisfactory efficiency, although they are presently non-viable units. Three courses of action as indicated below are open in the case of the above 20 DCBs which do not justify continuance in their existing form:

- (i) Integration with the apex bank;
- (ii) Integration with the long-term agricultural credit structure; and
- (iii) Subjecting the banks to the special care and attention of the apex bank.

2.58 The question of integration of the DCBs with the state co-operative bank was specifically examined in detail by the Study Team on Two-tier Co-operative Credit Structure in Kerala 1973 appointed by the RBI. The Kerala Study Team observed that despite the possibility of a reduction of 0.25 per cent in the rate of interest to the ultimate borrower as a result of the merger of a DCB with the apex bank, there are certain other factors which are far more important and which may justify the continuance of independent units at the intermediate level. The subsequent Study Teams for Rajasthan, Madhya Pradesh and Bihar have also ruled out the possibility of integration of the DCBs in the respective states with the apex bank. In UP, in particular, it may not be feasible for the UP CB to assume the responsibility of financing pacs directly even in a few districts, as the apex bank has the first and foremost responsibility of exercising closer supervision over, and providing effective guidance to, as many as 55 DCBs in the state with a view to ensuring a considerably improved performance and sustained progress on their part. At best, the UP CB may be required to bestow special attention on some weak banks. In view of this position, we are not in favour of the integration of any DCB in the state with the UP CB or that bank financing pacs in the area of any of the DCBs.

2.59 The next alternative which may be considered is that of

integration of the short-term with the long-term agricultural credit structure at the intermediate level. The feasibility of such an integration was examined very recently at the national level by the Committee on Integration of Co-operative Credit Institutions (the Integration Committee) appointed by the RBI with Dr R. K. Hazari, Deputy Governor, RBI as the Chairman. The Integration Committee has observed as under:

"Flowing from the arguments cited in favour of the integration in the preceding paragraph, viz., in the context of national agricultural policy, from the point of view of the farmers' convenience, of taking a comprehensive view of the borrowers' requirements, of closer supervision over end use of credit, of improvements in the quality of loans advanced and of better financial discipline among the borrowers, of the cost advantages accruing through better management and better deployment of funds, etc., the case of integration at all levels in the two wings of the co-operative credit structure is well-established." (page 73)

The Committee has suggested that integration of the two wings at all levels will emerge following the implementation of a phased programme of integration at the lower two levels. It has also observed that although the process of integration will necessarily begin at the base level, the minimum unit covered should be the area served by a primary land development bank or a branch of the SLDB, in states where the unitary pattern of the long-term credit structure exists. As for the identification of the districts, the Integration Committee has suggested that:

"In selecting the districts, preference may be given to those districts where command area projects or area development schemes approved by the ARDC are in operation." (page 83)

2.60 As regards the pattern of integration, it has been suggested that the re-organized pacs in the identified area may take over either the new long-term credit business or the existing as well as the new business. But the Committee has favoured the latter alternative. At the district level, however, because of the basic structural differences between the short-term credit structure on the one hand and the long-term credit structure on the other, coupled with the need for keeping the integrated unit clear of the sins of the past, the Committee has favoured registration of a new institution called the "District Co-operative Deve-

lopment Bank" (DCDB). The existing branches in the concerned district of the DCB and the pldb or the SLDB, as the case may be, will be the branches of the new DCDB which will be affiliated to both the state co-operative bank and the SLDB. All the re-organized pacs in the district which will purvey short, medium and long-term credit will be affiliated to the DCDB.

2.61 Thus, after taking all aspects of the matter into account, the Integration Committee has come to the conclusion that integration of credit functions at the primary level would not only be beneficial to the farmers as well as the base level organizations, but also result in a larger flow of integrated credit for investment as well as working capital thus improving the prospects of viability of the co-operative credit agencies at the base and intermediate levels. The Committee has further observed that integration at the intermediate level is as important as that at the primary level and should go side by side with it.

2.62 But a decision on the recommendations of the Integration Committee has yet to be taken at the national level. Besides, in so far as the DCBs from the plane tracts of Uttar Pradesh are concerned, the problem confronting us is primarily of toning up the efficiency of 17 DCBs which have not been in a position to reach viability and serve adequately the needs of their respective areas of operation. Mere integration with the long-term credit structure in the case of these 17 banks may not, therefore, help achieve the desired objective, especially when we expect these banks to improve their operational efficiency and play a much greater role than at present in the disbursement of short-term credit for agricultural production and that too within as short a period as feasible.

2.63 However, the cases of the three banks from the Hilly region, viz., Chamoli, Pithoragarh and Uttar Kashi may have to be viewed differently. These banks have been rated as having at least satisfactory efficiency. They do not justify continuance in their present form as they are non-viable units. In their cases, integration of the two wings of the co-operative credit structure will improve substantially their prospects of reaching viability quickly. In fact, while considering the question of integration of



the two wings of the co-operative credit structure, we have to take note of the strategy which we have suggested in the next chapter of organizing special type of societies in the Hilly region which will provide to the cultivators all types of credit facilities, including long-term credit for agriculture and a wide range of services. This strategy has the approval of all concerned including the GOUP, the GOI and the RBI. It is also recognized by all that it will be advantageous if the DCB which serves the hilly blocks also undertakes the provision of long-term credit to the special societies in the Hilly region along with short-term and medium-term credit for agriculture. Six of the eight districts from the Hilly region, viz., Almora, Chamoli, Garhwal, Pithoragarh, Tehri Garhwal and Uttar Kashi are wholly hilly. We are of the view that the intermediate level institutions functioning at least in these six districts should integrate the provision of short-term and medium-term credit along with long-term credit for agriculture. Thus, in our opinion, six DCBs which serve the above six wholly hilly districts and include the Chamoli, Pithoragarh and Uttar Kashi DCBs should integrate the provision of short-term and medium-term credit with long-term credit for agriculture. In their cases, however, it may not be worthwhile to organize new DCDBs as proposed by the Integration Committee. For ensuring immediate results, all that is necessary for the RCS is to widen the scope of and carry out consequential amendments in the byelaws of the six DCBs in question and perhaps the SLDB as the former banks will be affiliated to the SLDB in addition to the UPCB. Further, the six DCBs, viz., Almora, Chamoli, Garhwal, Pithoragarh, Tehri Garhwal and Uttar Kashi, may transact the long-term agricultural credit business through the affiliated recognized special type of primary societies in their respective areas, leaving the management of the existing long-term business to the concerned branches of the SLDB. Besides, with a view to equipping the DCBs with staff having experience of managing long-term agricultural credit business, the RCS may consider the question of transfer of suitable staff from the SLDB to the DCBs.

2.64 In view of the position explained in paragraphs 2.58 to 2.63 above, the only alternative left in the case of the 17 DCBs from the plane tracts of the state which, *prima facie*, do not

justify continuance in their present form, is to entrust them to the special care and attention of the UP CB. Eight out of these 17 banks, viz., Banda (BR), Biswan, Hardoi, Rae Bareli (CR), Agra, Aligarh, Mainpuri and Shahjahanpur (WR) can attain viability over the period of the next five years by maintaining a slightly higher annual growth rate in the loan business than the normally expected growth rate of 15 per cent. These banks can reach viability, if they maintain an average annual growth rate of 20 per cent in their loan business during the next five years. It may, therefore, be worthwhile to allow them to continue in their present form and make special efforts to ensure the above growth rate. Towards this end, it is necessary that the affairs of these banks are carried on under close surveillance and regular guidance of the apex bank. Already arrangements are being made to provide chief executives to all the DCBs, including the eight banks in question from a cadre that is being constituted by the UP CB. In addition, we suggest that pending the creation of the cadre of key officers for the DCBs proposed by us later in Chapter 8, the UP CB may take immediate action to post two of its officers as the Chief Accountant and the Executive Officer in each of the eight DCBs, viz., Banda (BR), Biswan, Hardoi, Rae Bareli (CR), Agra, Aligarh, Mainpuri and Shahjahanpur (WR). Further, the GOUP may nominate the officer in-charge of the regional office of the UP CB concerned as a director on the board of directors of each of these eight DCBs. Such a nomination is possible as the agreements relating to the state partnership arrangement entered into by these banks empower the GOUP to nominate two directors on the board of directors of every DCB. The government may also insist that the director so nominated is taken on the Executive Committee that may be constituted by the board of the respective banks. If the banks are at present under an administrator, a sufficiently senior officer of the GOUP or the UP CB having previous experience in banking may be appointed as the administrator. Action as proposed above should, in our opinion, help tone up the operational efficiency of the Banda, Biswan, Hardoi, Rae Bareli, Agra, Aligarh, Mainpuri and Shahjahanpur DCBs improving substantially their prospects of attaining a viable status by 30 June 1981.

2.65 This would leave out the cases of nine banks, viz.,

Hamirpur and Jhansi (BR), Barabanki, Kanpur and Unnao (CR), Bahraich, Faizabad and Sultanpur (ER) and Etah (WR), which have not justified their continuance in the present form. In their cases, while the banks can be subjected to the same degree of special care and supervision by the UPCB as explained in paragraph 2.64 above, they will require a longer gestation period for attaining viability. Very recently the Study Team on Bihar which considered this aspect in respect of the central banks in Bihar, had observed that some of the banks in the state, judged from their present level of business and conditions in which they are placed, will require a longer period than 5 years to attain the status of a viable unit. Such banks were deemed by the Bihar Study Team, as a special expedient, as quasi-potentially viable units and allowed a period up to 10 years to attain the status of a viable unit by maintaining the normally expected annual growth rate of 15 per cent in their loan business. In the case of these 9 banks also, we recommend that a longer gestation period, i.e., up to 10 years may be allowed to enable them to reach a viable status, say, by 1986-7. Eight of these 9 banks, i.e., barring Hamirpur DCB, will reach a viable status much earlier than 1986-7 by maintaining an annual growth rate of 15 per cent in their loan business. The Hamirpur DCB, will be in a position to reach a viable status by 1986-7 by maintaining a marginally higher annual growth rate of about 16 per cent in its loan business. Even then for obvious reasons, all these 9 banks will need special attention and care by the apex bank for toning up their operational efficiency. We, therefore, suggest that as in the case of the eight banks mentioned in paragraph 2.64 above, the UPCB may arrange to post a Chief Accountant and an Executive Officer in each of these 9 banks immediately and bear 75 per cent of their cost. The cost of secretary will be borne on the cadre which has been recommended later. Further, the GOUP may nominate the MD, UPCB or the General Manager proposed earlier by us, as a director on the boards of directors of each of these 9 banks who should also be taken on the Executive Committees of the respective banks.

#### *Periodical review*

2.66 In addition to the 17 DCBs from the non-hilly districts for which a special course of action has been suggested in the

above paragraphs, there are as many as 12 DCBs which possess only bare minimum efficiency. The regional offices of the UPCB will have to bestow special attention upon these 12 banks also. Besides, a time-bound programme for improving the efficiency of these 29 banks as also of the remaining 26 banks which have been rated reasonably efficient may have to be drawn up. For this purpose, the banks may be grouped in the following four broad groups:

Group I	With rating below 33 per cent
Group II	With rating between 33 and 45 per cent
Group III	With rating between 45 and 60 per cent
Group IV	With rating above 60 per cent

After identifying the areas of weaknesses on the basis of information available in Annexure 16, an attempt should be made to remove them to such an extent as to improve the rating in the different groups at the percentages indicated below every year for the next five years over the base level:

Group I	20 per cent
Group II	15 per cent
Group III	10 per cent
Group IV	5 per cent

In this connexion, it may be noted that in respect of 9 banks (6 in Group I and 3 in Group II) which have been allowed a longer gestation period of 10 years for attaining a viable status, the improvement in their ratings every year may be at least one-half of that expected in respect of the banks in the respective groups, i.e., by 10 per cent and 7.5 per cent for banks in Groups I and II respectively. The most important areas of weaknesses are in respect of recovery, deposit mobilization, coverage of cultivating families and loans and advances to them for agricultural purposes. The progress made each year may be assessed from the improvement made by the bank over the position in the base year. Such bank-wise annual review may be made by the UPCB and also by the high power state level committee

proposed later in Chapter 8 for assessing the progress in implementing the various recommendations contained in this report.

*Additional share capital contribution*

2.67 We have earlier in paragraph 2.54 (Table 23) identified as many as 19 banks as non-viable units. But all of them will continue to function as separate entities in one form or the other and make all efforts to reach viability within the next five or ten years as the case may be. For this purpose, they will maintain full complement of staff and a branch net-work as that of a viable unit. Until they reach viability, therefore, it is necessary to compensate them for the loss of income on the loan business which falls short of the respective viability norms. We, therefore, recommend that the GOUP may contribute Rs 15 lakhs each to the share capital of these 19 DCBs by borrowing from the RBI's Agricultural Credit (Long-term Operations) Fund (LTO Fund). This should give each bank a minimum income of Rs 1 lakh per annum on the assumption that at least Rs 10 lakhs out of the additional share capital so contributed will be deployed in their business by the respective banks. We recommend further that the contribution as proposed above may be made in lump sum in one year and that for this purpose the RBI may relax its normal conditions governing the grant of loans from its LTO Fund. The above recommendation will cover three out of the six DCBs that will operate in the wholly hilly districts. In view of the need for a wider capital base for the banks operating in the Hilly region as indicated by us in the next chapter, we recommend that the other three banks for wholly hilly districts, viz., Almora, Garhwal and Tehri Garhwal which are potentially viable, may also be given by the GOUP additional share capital contribution of Rs 10 lakhs each by borrowing from the RBI's LTO Fund.

*Organization of new DCBs*

2.68 We have noted in paragraph 2.42 that 3 DCBs, viz., Jhansi, Kanpur and Meerut are presently serving the areas of former composite districts of the same name. As for the setting up of new DCBs for serving the new districts, especially the Ghaziabad and Lalitpur districts for which there is a demand from certain

quarters, we have to observe that the prospect of viability should be considered not only for the DCBs, that may be organized in the newly formed districts but also for the existing DCBs which would have to forego a part of their area. While the Meerut DCB is a potentially viable unit, the Jhansi and Kanpur DCBs which are non-viable units, will require a longer gestation period than five years to reach viability. Instead of creating six weaker units out of them, it is desirable that the concerned DCBs concentrate their full attention on upgrading their efficiency and attaining viability as quickly as possible. In view of this position and the fact that there cannot be any objection to a DCB serving two districts, we suggest that the question of bifurcation of these banks may not be considered at least until each of them attains viability and any decision in this behalf in future may be taken by the RCS in consultation with the RBI.

#### *Head Offices of DCBs*

2.69 We note that in the case of a few DCBs, like Jalaun, Mohanlalganj, Hamirpur and Balrampur their head offices are not located at the head-quarters of the concerned district. With a view to facilitating proper co-ordination with the district authorities, it is suggested that the head offices of these banks may be shifted to the head-quarters of the respective districts.

#### *New Developments*

2.70 In the context of the need to strengthen the co-operative credit structure in general and in particular the DCBs, we are glad to note that a new programme called the 'Agricultural Credit-Intensive Development' programme sponsored by the RBI's ACD will be implemented in eight select districts by the GOUP. This programme aims at integrated development of the districts covered through the re-organization/re-vitalization of the co-operative credit institutions with the active participation of the RBI. The districts to be covered are Banda (BR), Rae Bareli (CR), Basti, Jaunpur and Sultanpur (ER), Meerut (WR), Dehra Dun and Nainital (HR). Four of the DCBs serving these districts, viz., Banda, Basti, Rae Bareli and Sultanpur possess only the bare minimum efficiency with ratings below 45 per cent each. Three of

these, viz., Banda, Rae Bareli and Sultanpur DCBs, have also been identified as non-viable units. We are confident that with the implementation of the programme, the efficiency of these four banks will be considerably toned up and that of the remaining four banks improved further.

2.71 Besides, the RCS has already initiated action to implement the recommendations in the Staffing Pattern Report to organizationally equip the head offices and the branches of the DCBs. We have later in Chapter 8 reiterated the recommendation in the above report relating to the creation of a common cadre for key officers of the DCBs and worked out the economics therefor. All these developments and the implementation of our recommendations should help streamline the DCBs and equip them to shoulder greater responsibilities in future.

### SECTION III

#### ESTIMATE OF CREDIT SUPPORT

2.72 From the review of the performance of the UPCB and the DCBs in the state contained in Sections I and II, it is evident that these banks are in a position to maintain the growth in their operations witnessed during 1975-6 and 1976-7 (up to 31 December 1976). The implementation of our recommendations will further ensure that these banks maintain a sustained progress from year to year. It may be, therefore, appropriate to estimate the credit support that will be available from them to the re-organized pacs in 1981-2 for meeting short-term agricultural credit needs of the cultivators in the state.

2.73 As against the short-term agricultural loans issued by the UPCB to the DCBs at about Rs 71 crores in 1975-6, the loans issued for the purpose by the latter banks to the affiliated pacs amounted to about Rs 91 crores. This means the DCBs were in a position to involve their resources to the extent of Rs 20 crores in this business. The short-term agricultural loans issued by the UPCB to the DCBs are expected to increase to Rs 110 crores in 1976-7. Assuming that the DCBs maintain their own involvement

of Rs 20 crores, the loans issued by them to the pacs in 1976-7 may be placed at Rs 130 crores. In the subsequent four years, it is reasonable to expect the UPGB to maintain an annual increase of Rs 20 crores in the loans issued for short-term agricultural purposes to the DCBs, the increase percolating as a result of increase in its deposits and higher credit limits on behalf of the DCBs that may be sanctioned by the RBI. We may assume an increase of Rs 20 crores per annum as against the expected increase of about Rs 40 crores in 1976-7 because a part of the increase in 1976-7 can be attributed to the integration of financing of cane cultivation. In addition, the DCBs can be expected to increase their own involvement by about Rs 2.00 crores annually. On this basis, the total loans issued for short-term agricultural purposes by the DCBs in the state to the affiliated pacs can be placed at Rs 240 crores in 1981-2 as per details given in Table 25.

TABLE 25

Year	Rs Crores			
	Short-term agricultural loans issued			Refinance from the RBI to UPGB at 75 per cent of col. (2)
	by UPGB to the DCBs	Own involvement of the DCBs	by DCBs to the pacs	
(1)	(2)	(3)	(4)	(5)
1976-7	110	20	130	82.50
1977-8	130	22	152	97.50
1978-9	150	24	174	112.50
1979-80	170	26	196	127.50
1980-81	190	28	218	142.50
1981-2	210	30	240	157.50

It has to be remembered that the involvement of the DCBs as above will be in addition to their involvement by way of resources that are locked in overdues at the primary level. We will revert to the subject of the total credit supply that may be made at the primary level to the cultivators in 1981-2 after taking a review of the position of pacs in the next chapter.



## CHAPTER 3

### INSTITUTIONS AT THE PRIMARY LEVEL

3.01 THE primary agricultural credit societies (pacs) form the base of the co-operative credit structure. The extent of the impact of co-operative credit, therefore, depends very much on the strength and efficiency of the pacs which have direct links with cultivators. It has now been recognized that without the existence of strong, viable and professionally managed institutions at the base level which provide not only credit but also inputs of agriculture and allied services, a sustained development of agricultural credit cannot be ensured. We are happy to note that UP has fallen in line with the above national policy and the GOUP has very recently pushed through a massive programme for the re-organization of pacs throughout the state, barring the Hilly region. In so far as the Hilly region is concerned, the government has agreed to await our views on the type of base level institutions best suited to the needs of the hilly areas as also on the norms for viability of such an organization.

3.02 We have in this chapter, therefore, first assessed the district-wise position of pacs in the state. This analysis is followed by the findings of the on-the-spot studies of pacs undertaken at our instance. But since the work relating to re-organization of pacs started in 1975-6 was completed only recently, i.e., in December 1976, our observations on the above two aspects are based on the position of pacs prior to their re-organization. However, we have next reviewed in this chapter the re-organization programme and the arrangements made for the posting of a trained full-time secretary in each re-organized society. Finally, the chapter deals with one of the main issues referred to us, viz., the problems of, and the institutional arrangements in the Hilly region.

#### DISTRICT-WISE REVIEW

3.03 The trends in the growth of owned funds, deposits, loan business, etc., and the position of overdues for the pacs in the

state as a whole for the years 1971-2 to 1974-5, are given in Annexure 22. The district-wise details about the coverage of pacs, their effective coverage, loan business, etc., and the position of their overdues as on 30 June 1975, are available in Annexure 23. Despite the best efforts made by the secretariat even during the final stages of our work, relevant information as on 30 June 1976, has been received from only 32 districts and the same is given in Annexure 24. The extent of improvement in the position of pacs during 1975-6 which in part made it possible for the UPGB/DCBs to achieve much better results in that year, has been, therefore, indicated in relation to these 32 districts only.

#### *Number of pacs*

3.04 At the beginning of 1964-5, there were in all about 46,000 societies in the state, but, under a programme of revitalization implemented then, the number was reduced to 24,559 by June 1972. The reduction in the number of societies in the subsequent three years was by mere 2626 to 21,933 as on 30 June 1975, mainly on account of merger/liquidation of dormant societies. But, because of the re-organization of societies again undertaken in 1975-6, the number of societies in the state has since declined substantially as indicated later in the chapter. Under this programme, all the dormant societies numbering 3306 as on 30 June 1975 have been eliminated.

#### *Coverage*

3.05 As per 1971 Population Census, UP has in all 135.90 lakhs of rural families, of whom the pacs in the state, with a membership of 67.20 lakhs, covered 49 per cent at the end of June 1975, as against 42 per cent at the end June 1972. The coverage of scheduled caste families seems relatively poor inasmuch as, although 22 per cent of the state's rural population comprises the scheduled castes, the proportion of their membership in the pacs to the total membership stood at 10.6 per cent as on 30 June 1975. The district-wise position of coverage of rural families as on 30 June 1975, is given in Table 1.

TABLE 1

Coverage of rural families in per cent						
	30 to 48		49 to 64		65 and above	
BR	Banda	(31)	Jalaun	(61)	—	
	Hamirpur	(42)	Jhansi	(49)		
CR	Barabanki	(39)	Kanpur	(49)	Fatehpur	(70)
	Hardoi	(39)	Unnao	(50)		
	Lucknow	(39)				
	Lakhimpur-					
	Kheri	(48)				
	Rae Bareli	(46)				
	Sitapur	(44)				
ER	Allahabad	(43)	Basti	(51)	Azamgarh	(65)
	Bahraich	(39)	Deoria	(58)	Ballia	(68)
	Faizabad	(46)	Ghazipur	(52)		
	Gonda	(34)	Pratapgarh	(63)		
	Gorakhpur	(44)	Varanasi	(51)		
	Jaunpur	(47)				
	Mirzapur	(39)				
	Sultanpur	(48)				
WR	Aligarh	(44)	Agra	(64)	Etawah	(80)
	Bulandshahr	(40)	Bareilly	(54)		
	Mathura	(46)	Bijnor	(50)		
	Meerut	(43)	Budaun	(53)		
	Moradabad	(46)	Etah	(54)		
	Pilibhit	(47)	Farrukhabad	(64)		
	Rampur	(45)	Mainpuri	(56)		
	Saharanpur	(44)	Muzaffarnagar	(49)		
	Shahjahan-					
	pur	(46)				
HR	Almora	(44)	Dehra Dun	(55)	Chamoli	(67)
	Nainital	(43)	Garhwal	(56)	Pithoragarh	(80)
			Tehri Garhwal	(50)		
			Uttar Kashi	(58)		

In as many as 27 districts, the coverage of rural families is below the state average of 49 per cent; the lowest being in Banda

district at 31 per cent. From the data as on 30 June 1976 available in Annexure 24 in respect of 32 districts, it is observed that, barring a few districts, not enough efforts were put in during 1975-6 for increasing the membership of pacs. While in eight districts, viz., Fatehpur, Hardoi, Kanpur (CR), Deoria, Gorakhpur, Mirzapur (ER), Farrukhabad and Saharanpur (WR), the membership of pacs increased during the year by 1.52 lakhs, the same witnessed a very modest increase of 0.72 lakh in the remaining 24 districts. We understand that in July 1976, the RCS issued instructions to all district officers to ensure enrolment of at least one-third of the non-member cultivators as members of the pacs. We would, however, suggest that the RCS may arrange for a periodical review of the progress made in each district. This will ensure that the special efforts made for re-organizing the pacs in the state are followed up by an effective drive for increasing their membership throughout the state, especially when a provision for universal membership has been incorporated recently in the State Co-operative Societies Act. For this purpose, the responsibility for achieving the district-wise targets should be of the concerned Assistant Registrar and the DCB.

3.06 For the state as a whole, only 32.6 per cent of the total members had borrowed loans in 1974-5. In fact, the proportion of borrowing members to the total membership had been on the decline, though slightly, since 1972-3. One main reason for this decline is the increase in the number of defaulters who formed 57 per cent of the total indebted membership as on 30 June 1975. The latter constituted 58 per cent of the total membership as on the same date. As on 30 June 1975, less than 40 per cent of the total members were indebted to their societies in the districts of Azamgarh (37 per cent), Agra (34 per cent), Almora (25 per cent), Garhwal (28 per cent) and Uttar Kashi (39 per cent). The names of districts in which defaulter members constituted 60 per cent or more of the indebted membership as on 30 June 1975, are given in Table 2.

TABLE 2

	District	Percentage of defaulters to total indebted members as on 30-6-75
BR	Hamirpur	71
	Jalaun@	61
	Jhansi	77
CR	Barabanki@	72
ER	Allahabad	65
	Azamgarh	60
	Ballia	63
	Basti@	72
	Faizabad	67
	Ghazipur	61
	Gonda@	89
	Gorakhpur@	89
	Mirzapur@	69
	Sultanpur@	69
	Varanasi	63
WR	Budaun	71
	Mainpuri	60
	Mathura@	85
	Meerut	71
	Saharanpur@	64
	Shahjahanpur@	64
HR	Almora@	63

@ Data as on 30-6-76 are also available.

Of the above 22 districts, data about defaulter members as on 30 June 1976 are available in respect of 11 districts. Barring Almora and Shahjahanpur districts where the position has remained almost the same, the number of defaulters has declined substantially during 1975-6 in the other 9 districts, the decline in the aggregate being 1.02 lakhs.

*Internal and borrowed resources*

3.07 The owned funds of the pacs in the state increased from Rs 29.71 crores as on 30 June 1972 to Rs 42.47 crores as on 30 June 1975. Of the increase of Rs 12.76 crores, the increase due to additional share capital contribution from the GOUP amounted to Rs 1.16 crores. The deposits of pacs increased by Rs 1.56 crores during the period and stood at Rs 6.33 crores as on 30 June 1975. The outstanding borrowings of the pacs, almost all of which are from the DCBs, increased appreciably from Rs 79.68 crores as on 30 June 1972 to Rs 115.44 crores as on 30 June 1975. As against the increase of Rs 35.76 crores in the outstanding borrowings of pacs during the three-year period, their gross borrowings from the DCBs increased from Rs 51.84 crores in 1972-3 to Rs 75.43 crores in 1974-5, i.e., by Rs 23.59 crores. The lower increase in gross borrowings during each year *vis-a-vis* the outstanding borrowings indicates that, additional funds of the DCBs were locked up in overdues at the primary level during the three-year period.

*Loan business*

3.08 The short-term loans advanced by the pacs in the state increased from Rs 39.65 crores in 1971-2 to Rs 71.03 crores in 1974-5, i.e., by Rs 31.38 crores. A part of this increase was offset by the decline of Rs 9.03 crores in the medium-term loans issued with the result that, the net increase in the total loans advanced by the pacs was by Rs 22.35 crores during the period to Rs 74.80 crores in 1974-5. Thus, the quantum of medium-term loans advanced by the pacs was on the decline. Such loans advanced in 1974-5, amounted to a mere Rs 3.77 crores which is too low a figure for a big state like UP. Even the growth in the short-term loans advanced by the pacs which was of the order of Rs 24 crores in 1972-3 declined to a growth of Rs 5 crores in 1973-4 and further to a growth of Rs 3 crores in 1974-5 indicating that, the short-term loan business of the pacs had also almost stagnated in 1973-4 and 1974-5. Judged by the performance in 31 districts for which data for 1975-6 are available (excluding Muzaffarnagar district for which this particular data for 1975-6 was not made available), this declining trend in the growth of

business seems to have been reversed, inasmuch as the short-term loans advanced by the pacs in these 31 districts had increased by Rs 13.56 crores to Rs 51.01 crores in 1975-6, as may be seen from Annexure 24. The trend about the low-level of medium-term loans, however, seems to be continuing. Such loans advanced in 1975-6 in the 31 districts for which data are available, amounted to Rs 2.07 crores only.

3.09 As against the increase of Rs 22.35 crores in the total loans advanced by the pacs in the state, the total loans outstanding at their level increased by Rs 35.49 crores, from Rs 91.03 crores as on 30 June 1972 to Rs 126.53 crores as on 30 June 1975. The latter figure includes outstanding short-term loans at Rs 105.01 crores. The increase in the loans outstanding at the level of pacs during the three-year period has been more than 150 per cent of the increase in the loans advanced by these institutions because of the progressive increase in the overdue loans at their level.

### *Overdues*

3.10 The progressive increase in the overdues of pacs during the period 1971-2 to 1974-5, except for a small decline in 1972-3, is evident from the data contained in Table 3.

TABLE 3

Year	Total loans		Rs Crores
	Outstanding	Overdue	Percentage of col. (3) to col. (2)
(1)	(2)	(3)	(4)
1971-2	91.04	46.95	52
1972-3	108.88	53.32	49
1973-4	117.47	64.57	55
1974-5	126.53	76.08	60

As on 30 June 1975, chronic defaults, i.e., overdues for periods over 3 years, at Rs 17.21 crores formed 22.6 per cent of the total overdues. District-wise position of the proportion of overdues to total loans outstanding as on 30 June 1975, is given in Table 4.

TABLE 4

Percentage of overdues to outstandings as on 30 June 1975							
75 and above		61 to 74		41 to 60		40 or less	
<b>BR(70)</b>							
Hamirpur	(90)	Jalaun	(66)	Banda	(50)	—	
Jhansi	(82)						
<b>CR(65)</b>							
Barabanki	(80)	Lucknow	(72)	Hardoi	(59)	Fatehpur	(30)
Kanpur	(94)	Lakhimpur-Kheri					
Unnao	(77)		(66)				
		Rae Bareli	(70)				
		Sitapur	(61)				
<b>ER(69)</b>							
Azamgarh	(75)	Bahraich	(70)	Allahabad	(58)	—	
Ghazipur	(84)	Ballia	(72)	Deoria	(59)		
Gonda	(94)	Basti	(65)	Pratapgarh	(49)		
Gorakhpur	(88)	Faizabad	(72)				
Sultanpur	(75)	Jaunpur	(67)				
		Mirzapur	(72)				
		Varanasi	(71)				
<b>WR(55)</b>							
Aligarh	(79)	Agra	(72)	Bareilly	(57)	Bijnor	(36)
Mathura	(91)	Budaun	(64)	Bulandshahr	(58)	Moradabad	(40)
		Etah	(73)	Farrukhabad	(54)	Muzaffar-	
		Etawah	(67)	Mainpuri	(52)	nagar	(40)
		Shahjahanpur	(68)	Meerut	(51)	Rampur	(39)
				Pilibhit	(60)		
				Saharanpur	(50)		
<b>HR(32)</b>							
—		Almora	(71)	—		Chamoli	(35)
						Dehra Dun	(24)
						Garhwal	(30)
						Nainital	(28)
						Pithoragarh	(29)
						Tehri	
						Garhwal	(28)
						Uttar Kashi	(26)

Note: Average percentage of overdues is indicated in brackets against the Region.



In as many as 12 districts, overdues constituted three-fourths or more of the total outstanding loans as on 30 June 1975. In another 18 districts, the relevant proportion stood between 61 and 74 per cent. Out of these 30 districts with heavy overdues as on 30 June 1975, the relevant position as on 30 June 1976 is available in respect of 15 districts and is given for the sake of comparison in Table 5.

TABLE 5

District		Percentage of overdues to outstandings at the primary level as on	
		30.6.75	30.6.76
BR	Jalaun	66	33
CR	Barabanki	80	69
	Kanpur	94	70
	Rae Bareli	70	59
ER	Basti	65	59
	Faizabad	72	74
	Gonda	94	85
	Gorakhpur	88	74
	Mirzapur	72	73
	Sultanpur	75	63
WR	Etah	73	78
	Etawah	67	37
	Mathura	91	88
	Shahjahanpur	68	58
HR	Almora	71	88

While the overdues in proportion to outstandings at the primary level have increased in Etah district and have remained more or less at the same level in Faizabad, Mirzapur and Mathura districts, they stand substantially reduced in the other 11 districts. This trend is indicative of the general improvement, barring a few exceptions, in the recovery position even at the primary level during 1975-6.

### *Comparative position*

3.11 Some important aspects of the working of the pacs in the state as on 30 June 1975 are compared with the relevant averages

obtaining in the states of Madhya Pradesh, Maharashtra and Tamil Nadu as well as the averages for all-India in Table 6.

TABLE 6

Rs lakhs

	Average per society				
	Uttar Pradesh	Madhya Pradesh	Maharashtra	Tamil Nadu	All-India
Membership	307	233	191	716	239
Borrowing					
membership	100	76	66	191	87
Paid-up capital	0.16	0.25	0.32	0.40	0.19
Loans advanced	0.34	0.67	0.70	1.72	0.59
Loans out-standing	0.58	1.09	1.08	1.74	0.77
Percentage of overdues to outstandings	60	54	43	30	43

Barring the average membership per society, the averages as on 30 June 1975 for UP, particularly in respect of the loan business, are lower than the averages for Madhya Pradesh, Maharashtra and all-India and are far below the averages for Tamil Nadu. This position clearly indicates how necessary it was for the GOUP to embark on a programme of re-organization of pacs. With the completion of the re-organization work in many districts before 30 June 1976, the average position of pacs in UP should have considerably improved by the end of June 1976. As on that date, the average membership per society in the 32 districts for which data are available, stood at 573. Loans issued in 1975-6 per society were higher at Rs 0.77 lakh and loans outstanding per society as on 30 June 1976 were at Rs 1.05 lakhs. Thus, it can be concluded that with their re-organization, the pacs in the state are well ahead on the road to viability. The findings of the on-the-spot studies may, however, disclose some disabilities which are not apparent and which may have to be removed to derive the full benefits of re-organization of the pacs.

#### ON-THE-SPOT STUDIES

3.12 The on-the-spot studies of 265 pacs taken up at our instance relate to their position in 1974-5. The societies selected include

large-sized societies, societies functioning in cane growing areas and also those operating in the Hilly region. The societies had a total membership of 1,60,976 including 78,071 indebted members of whom 41,109 were defaulters.

### *Coverage*

3.13 Table 7 gives region-wise position of the number of societies covered by the field study, the number of cultivating families in their area, their total membership and the membership comprising small farmers with holdings below 5 acres each.

TABLE 7

	BR	CR	ER	WR	HR	Total
(i) No. of pacs covered	19	44	73	92	37	265
(ii) No. of cultivating families in their area	31912	52703	64231	91766	26222	266834
(iii) Membership	10603	31285	41400	58920	18768	160976
(iv) Percentage of (iii) to (ii)	33	59	64	64	72	60
(v) Of (iii) above, small farmers	4245	22710	31308	34995	13812	107070
(vi) Percentage of (v) to (iii)	40	73	76	59	74	67

The coverage of the societies whose working was looked into during the field studies represents a better picture than the actual position for the state as a whole, as the societies selected are from among those as have not been dormant or marginally functioning. Within the different regions, however, it is seen that the coverage was quite low in the Bundelkhand region. The proportion of small farmers to the total membership is low compared to the region-wise proportion of small and marginal holdings to the total holdings, particularly in the Bundelkhand and Western regions.

3.14 The region-wise position of the proportion of the borrowing membership and of indebted membership to the total membership,

with relevant proportion for the small farmers separately, in respect of the societies covered by the studies, is given in Table 8.

TABLE 8

	BR	CR	ER	WR	HR	Total
<b>1 Membership</b>						
(a) Total	10603	31285	41400	58920	18768	160976
(b) Small farmers	4245	22710	31308	34995	13812	107070
(c) Percentage of (b) to (a)	40	73	76	59	74	67
<b>2 Borrowing member- ship</b>						
(a) Total	3982	15446	18004	31558	7575	76565
(b) Small farmers	2181	11459	13921	17518	5415	50494
(c) Percentage of (b) to (a)	55	74	77	56	71	66
<b>3 Indebted member- ship</b>						
(a) Total	4736	16409	17484	30730	8712	78071
(b) Small farmers	1868	12611	13777	18838	6123	53217
(c) Percentage of (b) to (a)	39	77	79	61	70	68
<b>4 (a) Percentage of 2(a) to 1(a)</b>	36	49	43	54	40	48
<b>(b) Percentage of 2(b) to 1(b)</b>	51	50	44	50	39	47
<b>5 (a) Percentage of 3(a) to 1(a)</b>	45	52	42	52	46	48
<b>(b) Percentage of 3(b) to 1(b)</b>	44	56	44	54	44	50

While the proportion of small farmers amongst indebted members to the total indebted membership follows the same regional pattern as the proportion of small farmer members to total membership, in the case of borrowing membership the proportion of small farmers to total borrowing members is high in the Bundelkhand region.

3.15 The proportion of borrowing membership to the total

membership varies widely from region to region and ranges between 36 per cent in Bundelkhand region and 54 per cent in the Western region. The effective coverage works out to about 30 per cent, except in the Bundelkhand region where it is very low at 12 per cent. Amongst the small farmers, the proportion of borrowing members to total membership is around 50 per cent except in the Hilly region (39 per cent) and Eastern region (44 per cent). The proportion of indebted members to the total membership ranges between 42 per cent in the Eastern region and 52 per cent in the Central and Western regions. The higher proportion of indebted membership to total membership than the proportion of borrowing membership to total membership in the Bundelkhand and Hilly regions indicates that many of the indebted members in these regions are ineligible to borrow afresh because of defaults in repayments of their dues.

3.16 The reasons for low coverage and lower borrowing membership of the pacs as revealed by the field studies are summarised below:

(i) The managements are generally indifferent towards increasing the coverage of their institutions. In fact, several instances of the managing committee members who have not been interested in attending the meetings of the committee came to light during the field studies. Pyawali and Sahadapur SSS (Bulandshahr), Shahbad, Nagwa, Behta and Palia SSS (Hardoi), Randa, Sakrar and Behta SSS (Jhansi), Faizullahganj (Lucknow) and Mohanganj (Rae Bareli) can be cited as instances in point.

(ii) Although action was taken to increase the co-operative coverage by enrolling new members under the Master Plan formulated for the state in 1972, it did not yield the desired results on account of lack of follow-up efforts both on the parts of the co-operatives and the Co-operation Department to activate the enrolled members.

(iii) Inability of the societies to purvey adequate and timely production credit as also offer any services, absence of adequate administrative arrangements for the collection of milk and wool/wool products and provision of health cover facilities, which resulted in the societies not undertaking the disbursement of medium-term loans and the inability of the societies to handle any non-credit business, together contributed to the non-member

cultivators being not interested in joining the society of their area. Further, lack of organic and effective linkage between the extension staff and the pacs and the absence of arrangements for educating the cultivators resulted in their not availing of even the available facilities.

(iv) Widespread defaults including those amongst office bearers have so tarnished the image of the societies that let alone non-members, but some of the member-cultivators themselves desire to keep away from whatever little activity is undertaken by the society in their area. Sheorajpur SSS (Bulandshahr), Nakrondah (Dehra Dun), Anandmaya LSS (Etah), Bamthi SSS (Garhwal), Shahbad SSS (Hardoi), Gola Gokarn (Kheri) and Sangakheda LSS (Saharanpur) can be cited as some of the instances.

(v) Unscrupulous hold of the members of a family or the members of the managing committee on the affairs of the society for furthering their interests on the one hand acts as a disincentive for others to join the society and on the other hand the elements controlling the affairs of the society are themselves not interested in associating those who do not belong to their group.

(vi) Widespread defaults in repayment of the dues by the managing committee members themselves and, therefore, inaction on their part for recovery have greatly affected the overall recovery position of many societies visited during the course of field studies rendering them ineligible to borrow afresh from the higher financing agencies. In a few cases even though the societies could have obtained fresh finance from the ccb of their area, the managing committee members being defaulters have not shown any interest in approaching the DCB for the purpose, thereby denying the benefit of the credit facilities to eligible members.

(vii) Caste prejudices, particularly in the planes, have also hindered the growth of membership.

(viii) The public sector banks have been making available credit at a rate of 4 per cent under the Government of India's differential interest rates scheme as against 14 per cent charged by the pacs. A strong feeling of resentment, particularly in the Hilly region, prevalent towards the higher rate of interest charged by the pacs may have kept a large number of cultivators away from the co-operative fold, particularly from this region.

*Loan business*

3.17 The societies studied covered on an average 7 villages within a radius of about 8 kms from the headquarters of the society. However, due to the low coverage and still lower effective coverage, the loan business of the societies was not commensurate with the area of operation and potential offered in the area. The region-wise position in this regard in respect of the societies covered by the field studies is given in Table 9.

TABLE 9

	Rs Lakhs					
	BR	CR	ER	WR	HR	Total
Societies studied	19	44	73	92	37	265
Loans issued in 1974-5	19.20	44.51	53.67	151.25	36.56	305.19
Average loans issued per society	1.01	1.01	0.74	1.64	0.99	1.15
Loans outstanding	22.32	46.38	50.38	171.28	49.07	339.43
Average loans outstanding per society	1.17	1.05	0.69	1.86	1.33	1.28

The average loans issued per society, as also the average outstanding loans per society in respect of the 265 societies covered by the field studies, are much higher than the relevant state averages, but still can be deemed as low especially when the societies visited are from among those as have been working well. The average loan business of the societies in the Eastern region is comparatively lower than the average for the societies from the other regions.

3.18 In many of the societies visited, the books of account including the loan ledgers in which the signatures of the principal borrower and his sureties are obtained, were not properly maintained. In particular, instances were not uncommon in which the columns provided for obtaining the signatures of the borrowers and their sureties had not been filled in thereby raising doubts about the genuineness of the relevant loan transactions.

*Conversion facilities*

3.19 As is generally well known, large tracts from the Eastern and Western regions are often visited by floods during the monsoons. The details about the number of villages in which *anneewari* was 6 annas or below, the number of societies which applied for conversion, etc., are not available. It was, however, observed that no efforts were made by the managements of a number of societies to obtain conversion loans. Rampur and Fatehpur districts are the glaring instances in point where none of the societies visited had applied for conversion to the central banks during 1973-4 when the crops were damaged due to floods.

*Overdues*

3.20 The region-wise position of the overdues at the level of the 265 pacs as at the end of 1974-5 is given in Table 10.

TABLE 10

Rs Lakhs						
	BR	CR	ER	WR	HR	Total
1 Indebted members	4736	16409	17484	30730	8712	78071
2 Defaulting members	2187	11370	9548	15219	2785	41109
3 Percentage of (2) to (1)	46	69	55	50	32	53
4 Loans outstanding	22.32	46.38	50.38	171.28	49.07	339.43
5 Loans overdue	8.30	24.57	21.87	68.06	10.51	133.31
6 Percentage of (5) to (4)	37	53	43	40	21	40
7 Period-wise classification of overdues						
(i) Below one year	3.83	11.28	8.73	31.72	3.86	59.42
(ii) 1-3 years	1.59	7.75	8.05	19.42	3.63	40.44
(iii) Above 3 years	2.88	5.54	5.09	16.92	3.02	33.45
8 Percentage of 7 (iii) to (5)	35	23	23	25	29	25

The proportion of the number of defaulters to the total indebted members has been high at around 50 per cent in all the regions, barring the Central region, where it is very high at 69 per cent and the Hilly region where it is comparatively low at 32 per cent. Accordingly, in these two regions, the overdues formed 53 and 21 per cent respectively of the total outstandings



as against about 40 per cent in the other regions. The chronic overdues formed about one-fourth of the total overdues in all the regions with the exception of the Bundelkhand region where the relevant proportion is as high as 35 per cent.

3.21 Although a portion of the overdues can be attributed to denial of conversion facilities to otherwise eligible borrowers, the field studies revealed that the defaults have been, by and large, wilful arising mainly on account of the reasons given below:

(i) Indifference of non-officials on the managements of the societies, arising mainly from some of them incurring defaults themselves, to initiate coercive action even against the recalcitrant defaulters.

(ii) Absence of a paid manager in most of the societies who could devote his time to persuade the borrowers to repay their dues by issuing them reminders, notices, etc., and also to prepare arbitration cases for the recovery of chronic defaults.

(iii) Inability to introduce arrangements for linking the recovery of credit with the marketing of produce even where the same is procured under compulsory levy by the PCF on behalf of the state government. Introduction of such linking will be feasible if the payments for the stocks procured are allowed to be adjusted to the dues by the DCB of the area.

(iv) Inability of the DCBs, which have no control over the field staff, to launch a drive for effecting recoveries of the dues of their affiliated institutions and also help the latter effectively in pursuing coercive action against recalcitrant defaulters.

(v) Absence of involvement of the departmental officials posted in districts in the general recovery drive. It may be stated in this connexion that a whole-hearted involvement of the departmental staff for effecting recoveries during 1975-6 at the instance of the RCS, has yielded very encouraging results.

(vi) Lack of will among the borrower members to clear their dues in time as they are, in view of their past experience, generally apprehensive about the ability of their societies to issue fresh finance.

(vii) The borrowers are also not concerned about straining their relation with the society of their area as the benefits accruing to them from the societies, which do not generally undertake the

business of supply of inputs, etc., are very limited and the denial of such benefits by virtue of their defaults, therefore, does not make matters difficult for them.

*Overdues in relation to size of holdings of defaulters*

3.22 The data collected in the course of the field studies, which are given in Table 11, confirm that as elsewhere in the country, the incidence of defaults among big farmers (holding above 10 acres), medium farmers (holding between 5 and 10 acres), small farmers (holding between 3 and 5 acres) and the smallest of small farmers (holding below 3 acres), has been more or less of the same degree, also in UP.

TABLE 11

	BR	CR	ER	WR	HR	Total
<b>1 Percentage of indebted members in each size-wise group to total indebted members—</b>						
Above 10 acres	20	4	5	5	3	6
5—10 acres	26	13	14	22	14	17
3— 5 acres	23	23	23	26	31	25
Below 3 acres	16	54	55	35	39	43
Tenants and agricultural labourers	15	6	3	12	13	9
Total	100	100	100	100	100	100
<b>2 Percentage of defaulters in each size-wise group to total defaulters—</b>						
Above 10 acres	16	3	6	5	2	5
5—10 acres	22	10	14	20	9	15
3— 5 acres	22	21	23	24	23	23
Below 3 acres	16	59	54	36	55	47
Tenants and agricultural labourers	24	7	3	15	11	10
Total	100	100	100	100	100	100

The proportion of indebted members in each size-wise group to the total indebted members is more or less identical to the proportion of defaulter members in the respective size-wise group

to the total defaulter members, in all the regions. Thus, the degree of the will to default is common among all the categories of farmers throughout the state.

### *Conclusion*

3.23 To sum up, the on-the-spot studies have revealed that the pacs in the state, in the form they existed prior to 30 June 1975, could not, by and large, be counted upon to deliver the results that are expected of such institutions which are in direct contact with the cultivators. Since their performance failed to come up to the expectations, their revitalization with a view to ensuring that they functioned in future as effective agencies for the rapid development of rural credit in the state, had become inevitable.

### RE-ORGANIZATION OF SOCIETIES

3.24 At the instance of the RBI, a Master Plan was prepared in March 1972 for accelerating the availability of agricultural credit through co-operative agencies in UP. The Plan aimed primarily at increasing the coverage of the pacs with a view to facilitating an increased flow of agricultural production credit through them and also envisaged improving their recovery performance. But, it could not make much headway; the main hurdle being the non-availability of a full-time paid manager for a majority of the pacs and the poor calibre or indifference of the honorary or part-time secretaries looking after their affairs. At the annual discussions held at Nainital in May 1975, therefore, the representatives of the RBI emphasized the need for re-organizing the primary credit structure in the state, with a view to having only viable societies at the base, each capable of sustaining a full-time and trained secretary. The reaction of the state authorities was favourable to this suggestion. They stated that the thinking in the state government was towards organization of medium-sized societies, each covering an area of 7 to 8 villages.

### *Guiding norms*

3.25 Following these discussions, therefore, basic data about the state of affairs at the primary level was collected and a blue print

of action for re-organizing the primary credit structure in the plane tracts of the state was prepared by the Co-operation Department of the GOUP on the basis of the following guiding norms:

(i) The area of operation of every re-organized society should be coterminous with the area of the concerned *nyaya panchayat* and barring a few exceptions, the area of a *nyaya panchayat* should not be divided between two re-organized societies.

(ii) Each re-organized society should have a potential to reach a loan business of not less than Rs 3 lakhs.

(iii) The existing large-sized societies numbering 730 should be touched in the process of re-organization only if there was need for marginal adjustment in their area of operation. Thus, if the area of operation of a re-organized society does not offer adequate potential to reach viability, the area of the large-sized society could be slightly adjusted in the interest of viability of the former society.

(iv) Every re-organized society should be provided with the services of a trained and full-time paid secretary as also with an office-cum-godown of its own.

#### *Process of re-organization*

3.26 The process of re-organization was actually put in operation in January 1976. Simultaneously, suitable steps, on the lines suggested by the RBI in May 1976, were taken to overcome a number of procedural and legal problems that were likely to be encountered. The action taken included a provision in the State Act for compulsory amalgamation of two or more societies. The steps taken were further intensified in July 1976 when the RCS set a deadline of 31 December 1976 for completing the work throughout the state, barring the 68 hilly blocks from eight districts of the Garhwal and Kumaun divisions. We understand that the target has since been accomplished and all the pacs in the plane tracts of the state stand re-organized.

3.27 As a result of the implementation of the re-organization programme, the number of pacs in the plane districts of the state have declined from 20663 as on 30 June 1975 to 7304 as at the end of December 1976. The region-wise position is given in Table 12.

TABLE 12

	No. of pacs as on 30.6.75	No. of societies as on 31-12-1976			Total
		Viable pacs	Large- sized societies	Farmers service societies	
BR	1263	248	80	3	331
CR	3010	1376	52	8	1436
ER	9638	3168	165	29	3362
WR	6752	1766	403	6	2175
<b>Total</b>	<b>20663</b>	<b>6558</b>	<b>700</b>	<b>46</b>	<b>7304</b>

The district-wise position is available in Annexure 25. In addition, it is estimated by the Co-operation Department that with the completion of the re-organization work in the eight districts from the Hilly region in pursuance of the guidelines given later in this chapter, there may be around 700 pacs in these districts as against 1270 societies (which include 30 large-sized societies and 2 farmers' service societies) as on 30 June 1975. Thus, UP may ultimately have around 8000 pacs as against 21,933 societies as on 30 June 1975.

#### *Farmers service societies*

3.28 As indicated in Table 12 (paragraph 3.27), there are already 46 fss in the state. Further, the thinking in the state government is to organize about 200 additional such societies of the smaller model by conversion of the existing large-sized societies of equal number with loan business of over Rs 5 lakhs each, so as to ultimately have around 250 fss in the state. In the first phase of the programme, about 100 such fss will be organized. Priority will be given for organizing fss as above in the SFDA, DPAP and the command area development project areas and the areas served by the rrbs. With the completion of the programme of organization of fss, their number will increase from 46 to about 250 and simultaneously the number of large-sized societies will decline from 700 to about 500. We endorse the above policy of the GOUP of organizing fss of the smaller model and suggest that the jurisdiction of each such society may not extend, beyond the areas of two *nyaya panchayats*. Besides, the government may take simultaneous

action to provide the requisite technical staff to these societies, as soon as each such society is organized.

### *Seed stores*

3.29 In UP, there are 2340 co-operative unions which are popularly known as block development unions and out of them 1404 are running seed stores. These unions are federated in district level federations. On an average, in each block, there are 3 unions of which 2 own a seed store. The unions owning seed stores also handle the business of distribution of fertilizers and sale of controlled cloth and consumer goods. The supplies of fertilizers are received by the unions directly from the Provincial Co-operative Federation (PCF) which maintains buffer stocks of fertilizers at the district head-quarters. In the changed context of the re-organized pacs which are now to undertake multifarious functions which will include the handling of business that is being undertaken by the seed stores, a separate agency in the form of seed stores is considered redundant. As a matter of fact integration of these unions with the re-organized pacs will go a long way in helping the pacs in attaining viability quickly. Further, a number of unions have their own buildings which would be available to the re-organized pacs thereby helping to reduce the expenditure on construction of office-cum-godowns not only of the pacs but also of the state government. The integration of the unions owning seed stores with the pacs cannot, therefore, be postponed and should be brought about emergently. One main difficulty in this respect is reported to be the weak financial position of the unions having seed stores some of which are carrying heavy loss balance. While the unions whose owned funds have been fully eroded can be liquidated, others can be integrated with the respective re-organized pacs in their area after arriving at the intrinsic value of their shares on the basis of the latest available audit report. We would, however, leave the question of the proposed merger to the RCS who may decide the issue after taking all relevant aspects into account and suggest that the RBI may endorse the procedure that may be evolved by the RCS for fulfilling the desired objective.

*Twelve-point programme*

3.30 While fixing a target date for completion of the re-organization work in the plane districts of the state, the RCS, in July 1976, also announced a 12-point programme to strengthen the co-operative credit structure which includes the following:

- (i) Re-organization of pacs at *nyaya panchayat* level.
- (ii) Full-time paid secretary for each re-organized society.
- (iii) Condensed training programme of 3 months for the new secretaries.
- (iv) Provision of office-cum-godown for each society.
- (v) Formulation of an annual credit plan for each society which will be a working plan with targets for activating the non-borrowing members, enrolment of new members, recovery of dues and undertaking non-credit functions.
- (vi) State participation to strengthen the equity base of each society.
- (vii) Creation of reserves for writing off bad debts and provision of financial assistance to meet the deficits in non-overdue cover to DCBs identified as weak units.
- (viii) Deposit mobilization drive to strengthen internal resources of co-operative banks and renovation of their branches.
- (ix) Creation of common cadres for the managerial personnel of co-operative credit institutions.
- (x) Establishment of a training college to impart training in agricultural banking by the UPGB.
- (xi) Creation of risk funds in co-operative banks to provide consumption loans.
- (xii) Bringing nearly 20 lakh new land allottees under the co-operative fold.

The implementation of the 12-point programme is being vigorously pursued.

*Full-time secretaries*

3.31 It is expected that from the staff engaged by the erstwhile

21,933 pacs, about 6,000 suitable persons can be found for posting in the re-organized societies. As for the balance, about 2000 candidates have already been screened and their job-oriented training for a duration of 3 months is being arranged through 19 training centres all over the state. Besides, under the provisions of a new section 122A incorporated in the State Co-operative Societies Act in October 1975, a cadre for the secretaries of pacs has already been constituted, the details of which we have discussed later in Chapter 8. Thus, it is expected that by the end of June 1977, each re-organized society will have the services of a full-time paid secretary.

#### *Office-cum-godowns*

3.32 Further, it is estimated that about 2000 re-organized societies already have their own office-cum-godown. For providing an office-cum-godown to the remaining 6000 societies, the Co-operation Department proposes to make arrangements for the construction of 2000 office-cum-godowns each year starting from 1977-8 so that by the end of 1979-80, each re-organized society in the state has its own office-cum-godown. In this connexion we understand that the RCS is contemplating to create a technical cell in his office under an executive engineer and with a complement of assistant/junior engineers for providing technical guidance in the construction of godowns. Such an arrangement, we understand, is in vogue in Tamil Nadu. We are of the opinion that the proposed cell would be quite useful for ensuring smooth implementation of the massive programme of construction of godowns and therefore, recommend for acceptance by the GOUP the proposal of the RCS in this behalf.

3.33 Further, with a view to helping the special type of pacs proposed later in this chapter for the Hilly region, we suggest that the present rate of subsidy for construction of godowns which is at 37½ per cent of the cost may be increased in their case to 75 per cent of the cost as in the case of pacs in the DPAP areas. The balance 25 per cent cost will be given by the GOUP by way of a loan in accordance with the pattern of assistance for the



purpose. We suggest that the period of such loan may not be less than 10 years with a moratorium on repayment of principal and interest during the first five years. Necessary provision in this behalf may be made in the Hill Sub-Plan of the state.

### *State participation*

3.34 We recommend that each re-organized society may be entitled to receive government contribution to its share capital at the minimum rate of Rs 10,000 if it is a *nyaya panchayat* level pacs, Rs 25,000 if it is a large-sized society or the special type of society in the Hilly region as recommended later in this chapter and Rs 50,000 for a farmers service society of the smaller model. On this basis, the total contribution required for the societies estimated by us will be as in Table 13.

TABLE 13

Type of society	Number	Rs Lakhs
		Amount
Viable pacs in plane tracts	6558	655.80
Large-sized societies	500	125.00
Farmers service societies	250	125.00
Special societies in the Hilly region	700*	175.00
		<b>1080.80</b>

\* Estimated

The pacs in the state have received share capital contribution from the GOUP of the order of Rs 308.81 lakhs until the end of June 1975. In 1975-6 and 1976-7, further sum of Rs 26.32 lakhs and Rs 117.50 lakhs respectively have been sanctioned by the RBI out of its LTO Fund bringing the total contribution by the GOUP in the share capital of the pacs in the state to Rs 452.63 lakhs. The balance contribution necessary works out to Rs 628.17 lakhs. We recommend that the GOUP should make necessary provision

in the state budget for the year 1977-8 for the above amount so that within a period of the next one year all the re-organized societies will have received the required contribution to their share capital from the GOUP. The RBI may consider sanctioning corresponding loan to the GOUP out of its LTO Fund. Further, the concerned authorities in the GOUP may keep in view the fact that loans from the RBI out of its LTO Fund for the purpose are, as per the existing instructions of the Planning Commission, above the Plan ceilings.

*Other related matters*

3.35 The RCS has already issued detailed instructions to all the Assistant Registrars and secretaries of the DCBs for the preparation of society-wise annual credit plans. The work of enrolment of new land allottees as members of the pacs is also in progress. We would also suggest that special attention be given to cover scheduled caste rural families, as presently the proportion of their membership to the total of such families in their case is relatively low. Besides, it is also necessary to ensure that the scheduled castes and the small or economically weak farmers have adequate representation on the managements of the pacs. We suggest, therefore, that the GOUP may consider incorporating a provision in the State Co-operative Societies Act laying down that on the managements of pacs operating in such areas as may be determined by the state government, certain specified number of seats shall be reserved separately for small or economically weak farmers which category will include members of the scheduled castes. Similar suitable representation for them on the managements of the DCBs may also be considered.

3.36 From the above it is evident that the steps that have so far been taken and those which have been contemplated will help building up a very strong and efficient base for the co-operative credit structure in the plane tracts of UP. An integrated programme may have also to be formulated for the Hilly region in the light of

its special problems. We have discussed this aspect in the paragraphs that follow.

#### INSTITUTIONAL ARRANGEMENTS IN THE HILLY REGION

3.37 One of our terms of reference requires us to study the problems of hilly areas as also the tribal areas in the state and suggest, if necessary, special financial assistance and a different organizational pattern for them. In order to have a first hand knowledge of the problems encountered in the field and the possible solutions to overcome them, we met at a zonal meeting convened on 18 September 1976 at Badrinath, the non-official leaders and officials connected with the management and day-to-day working of the agricultural credit, etc., institutions operating in the hill region of UP. It was decided at this meeting that an in-depth field study in some hill districts might be undertaken to suggest, among others: (i) suitable institutional infrastructure to suit the conditions obtaining in the hill areas, (ii) the activities that might be entrusted to the institutions, (iii) the norms that might be adopted for deciding the question of viability of the institutions to serve as the basis for their re-organization and (iv) the nature and extent of financial and administrative assistance that might be necessary for strengthening the institutional structure as also for improving the economy of the rural folk from the hill region.

3.38 Accordingly, the Member-Secretary of the Team and the officers from the secretariat undertook a field study in the hill districts of Almora, Dehra Dun, Nainital and Pithoragarh during the period 30 October to 10 November 1976. We have, for the purpose of formulation of our views and recommendations, fully taken into account the findings of this field study.

3.39 For the purpose of the state's planning, all the eight districts of Garhwal and Kumaun revenue divisions having 76 development blocks, are deemed as comprising the hill region although two of these districts, viz., Dehra Dun and Nainital, are partly hilly, each one of them having large contiguous plane tracts in the southern part. For the purpose of our study, therefore, in all 68 development blocks can be deemed as forming the hill region as per details given in Table 14.

TABLE 14

District	Total number of blocks	No. of hilly blocks	Remarks
<i>Garhwal Division</i>			
Chamoli	9	9	—
Dehra Dun	4	2	Chakrata and Kalsi are hilly blocks
Pauri Garhwal	14	14	—
Tehri Garhwal	10	10	—
Uttar Kashi	4	4	—
<i>Kumaun Division</i>			
Almora	14	14	—
Nainital	10	4	Bhimtal, Baitalghat, Okhalkand and Ramgarh are hilly blocks
Pithoragarh	11	11	—
Total	76	68	

3.40 The geo-physical conditions obtaining in the hill region in the state and the state of agriculture have already been discussed at length in Chapter 1. As stated therein, about two-thirds of the state's forests lie in this region. Apart from the existence of trees like Oak, Deodar and Pine which are important for their timber value as also large tracts of grass for grazing, these forests abound in a variety of medicinal herbs and aromatic plants. The district-wise forest area and its proportion to the geographical area is given in Table 15.

TABLE 15

Sq. Kms

District	Geographical area	Forest area	Percentage of col. (3) to col. (2)
(1)	(2)	(3)	(4)
<i>Garhwal Division</i>			
Chamoli	9128	5293	58
Dehra Dun	3111	1674	54
Pauri Garhwal	5455	4608	84
Tehri Garhwal	4519	2695	60
Uttar Kashi	7816	7045	91
<i>Kumaun Division</i>			
Almora	7004	4860	69
Nainital	6824	3991	59
Pithoragarh	7243	2379	33
Total	51100	32545	64

In the agricultural sector, predominance of marginal and small holdings, pressure of population on the limited cultivable land which is prone to erosion and the lack of irrigation facilities are the major problems. The cropping intensity or the proportion of the area sown more than once is high not because irrigation facilities are better, but because of the prevalence of cold climate which helps the growth of *rabi* crops or vegetables. The vegetables (mainly potato and ginger) are sown in February and harvested by the following June. Even the *rabi* crops sown in October/November hibernate during the extreme cold months of December to February when they are in torpid state and are, therefore, harvested in the following June. However, the region is ideally suited for production of fruits like apples, plums, peaches, etc. Already an area of about 64,000 hectares is covered mainly by apple orchards which are harvested during June to September every year. The major food crops like paddy, wheat, mandua, maize, barley, etc., grown in the region are utilized for home consumption and do not, therefore, generate any marketable surplus. Whatever surplus is generated is out of the sale proceeds of apples, potato, ginger, etc.

#### *Allied/subsidiary activities*

3.41 Although agriculture, including horticulture, is the main occupation (77 per cent of the total working force in the region is engaged in agriculture) and cultivation is carried on by the households themselves (agricultural labourers form only about 5 per cent of the total working force), the farmers in the region, who are small or marginal, cannot subsist on income from cultivation alone. They, therefore, supplement their agricultural income by: (i) working as forest labourers or labourers on public works, (ii) undertaking weaving of wool, (iii) collecting forest products mainly lisa (a raw material for the manufacture of resin and turpentine) and medicinal herbs and (iv) maintaining milch cattle/sheep and goats. Besides, the able bodied young men from the Garhwal and Kumaun Divisions seek employment outside the region, especially in the armed forces. Almost every household in the region is, therefore, dependent on remittances from the menfolk employed outside the region.

3.42 The Hilly region of the state has abundant scope for development of livestock as a supporting occupation to agriculture.

Uneconomic agricultural lands can be extensively cultivated with fodder crops and livestock husbanded on them. Milk production in the region should not pose any marketing problems as the same can be utilized for local demand and demands of defence establishments, tourists and pilgrimage centres. Dairying can, therefore, be a profitable subsidiary occupation in areas with altitudes of less than 6000 ft. Areas with higher altitudes with their cold climate are more suited for the production of fine wool. Besides, in these areas goats are useful for transport of goods especially where even the bridle paths do not exist.

#### *Functioning institutions*

3.43 At the state level, the state government have organized the Uttar Pradesh Hill Development Corporation (UPHDC). While substantial investment in the Hilly region is expected from this Corporation as also other state corporations, in so far as the average farmer from the region is concerned, the UPHDC, apart from helping to some extent in arranging for transport and marketing of apples, has not been able to provide any assistance. In fact, this Corporation has its offices only at two centres, viz., Dehra Dun and Nainital, and has practically no links with the available institutional infrastructure at the level of districts and below. Whatever institutional infrastructure exists at the lower levels is mainly in the co-operative sector.

3.44 But the achievements of the DCBs and their affiliated pacs in so far as the hill areas are concerned are poor. The main reason for the poor achievements especially in respect of loan business has been the adoption of the same loan policies and procedures as devised for the plane areas at the state level. The scales of finance adopted are the same as prescribed by the RCS for the entire state which are given below:

Crop	Total Rs	Cash Rs	Kind Rs
Sugarcane, potato, ginger	900	300	600
Foodgrains and other cash crops	450	150	300

This has been so despite the fact that conditions in the Hilly region do not warrant extensive use of chemical fertilizers. The only concession available is that while a farmer in the plane districts can borrow Rs 40 in cash and another Rs 40 in kind against a share of Rs 10, the one in the Hilly region is allowed to

lift a cash loan of Rs 56 and a kind loan of Rs 24 against one share of Rs 10. But in practice the cultivators have been restricting their borrowings to cash portion only and have, therefore, to maintain therefor a much higher linking than 10 per cent which is normally expected. In the matter of due dates for repayment, the practice as in vogue in the plane areas is being followed. All *khari* loans are expected to be repaid on 31 March and the *rabi* loans on 31 May despite the fact that the latter crop as also crops like potato and ginger are harvested after the following June. None of the DCBs has been giving any short-term finance for maintenance of orchards, although considerable expenditure towards crowbaring, fertilizing, spraying, plucking of fruits and their packing is involved. Whatever medium-term agricultural loans have been issued by the banks, they are mostly for purposes like purchase of bullocks, levelling and terracing of land and to a smaller extent for purchase of milch cattle. None of them has so far been able to issue any loans for sheep and goat rearing.

3.45 The visits to eight pacs during the field study revealed that despite the difficult terrain and lack of means of communications, almost all of them (i.e., barring those in Pithoragarh district) served an extensive area as may be seen from Table 16.

TABLE 16

Name of society	No. of villages	Area of operation			
		Average altitude in feet	No. of gram sabhas	No. of nyaya panchayats	Radius in Kms
<i>Dehra Dun District</i>					
1 Shahiya	108	3200 to 6500	16	5	24
2 Kalsi	61	4000	6	2	22
<i>Nainital District</i>					
3 Garampani	35	3000 to 6000	15	3	10
4 Bhowali	20	4500 to 6000	7	3	11
<i>Almora District</i>					
5 Khatyari	17	4500	11	2	11
6 Kosi	26	4000	9	3	12
<i>Pithoragarh District</i>					
7 Kumaul	8	5600	3	1	3
8 Mahar Khola	19	5600	6	1	4

A comparison of the data contained in Table 16 with the financial and other particulars as on 30 June 1976 furnished in Table 17 below, indicates that the societies with wider area have not only lower effective coverage, but have also relatively higher overdues suggesting thereby ineffective supervision over the loans.

TABLE 17

Rs Lakhs						
Name of society	No. of culti- vating families in the area	No. of indebted members	Percent- age of col. (3) to col. (2)	Loans out- stand- ing	Loans overdue	Percent- age of col. (6) to col. (5)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
<i>Dehra Dun District</i>						
1 Shahiya	2120	511	24.1	7.19	4.72	65.6
2 Kalsi	1176	590	50.2	7.13	3.69	51.8
<i>Nainital District</i>						
3 Garampani	1232	282	22.9	1.62	0.78	48.2
4 Bhowali	645	180	27.9	0.79	0.76	96.2
<i>Almora District</i>						
5 Khatyari	736	127	17.3	0.73	0.50	68.5
6 Kosi	870	N.A.	—	0.66	0.45	68.2
<i>Pithoragarh District</i>						
7 Kumaul	331	138	41.7	0.54	0.06	11.1
8 Mahar Khola	565	275	48.7	0.72	0.01	1.4

Among the societies with wider areas of operation (serial numbers 1 to 6 in Tables 16 and 17), those engaged in the distribution of controlled commodities and fertilizers had relatively better coverage. Of the two societies in Pithoragarh district with limited areas of operations, the society at Mahar Khola has a relatively better coverage as it has been undertaking the business of distribution of essential commodities (including gur, oil, etc.), controlled cloth and fertilizers as against only the last two commodities distributed by Kumaul society.

3.46 As stated earlier, horticulture development is of significance for improving the economy of the cultivators from the Hilly region.



The state land development bank (sldb) has introduced a scheme to issue long-term loans for developing orchards at a concessional rate of interest of 5½ per cent per annum, the difference between the normal rate and the subsidised rate being borne by the state government. However, for want of adequate branch network of the sldb in the Hilly region, not much headway has been made so far in the issue of such loans.

3.47 For the disposal of agricultural produce, forest products including medicinal herbs and wool products, cultivators in the area have been largely at the mercy of the private traders/agencies and are, therefore, subject to exploitation at the hands of the latter although, as stated later, some assistance during the last two years for the marketing of milk, medicinal herbs, wool products, etc., has been forthcoming from the extension staff of the state government. For want of organized marketing, the farmer is denied a fair return for his produce which may have increased the overdues of the credit institutions. Some marketing societies have no doubt been organized, but they are essentially commodity marketing societies dealing in specific products like apples, vegetables, etc. Besides, their number and the scale of operations are so small that a majority of the cultivators, especially in the interior, have not been able to avail of whatever little services that are extended by them. It is also pertinent to note that the state government has plans to organize separate forest labour contract societies (flcs) in the Hilly region. Similarly, separate milk collection societies have been and are proposed to be organized for the collection of milk.

3.48 Thus, an average cultivator in the region would have to be in contact with a variety of organizations as under:

- (i) Primary agricultural credit society for short-term and medium-term credit.
- (ii) Branch of the sldb for long-term credit.
- (iii) Consumer stores or Janjatiya society of Social Welfare Department for obtaining essential commodities like foodgrains, gur, oil, cloth, etc.
- (iv) Milk collection society for disposal of milk.
- (v) Fruit and vegetable marketing society for disposal of apples, potato, ginger, etc.

- (vi) Forest labour contract society (flcs) for securing work as a forest labourer.
- (vii) Industrial society, if any or extension staff of the Industries Department for disposal of wool products.
- (viii) A branch of a commercial bank for obtaining medium-term loans for purchase of milch cattle or sheep, if such business is not undertaken by the pacs of the area.
- (ix) VLW centres for obtaining fertilizers if the credit society in the area is not undertaking such business.

In addition, the various departments of the state government are issuing loans, coupled with subsidy, for horticulture development and arranging supply of wool for which contact with them is necessary. It has to be remembered, however, that not all these agencies are, by and large, within a reasonable distance for a cultivator thereby making it imperative for him to depend on private agencies and be subject to inevitable exploitation.

### *Fifth Plan*

3.49 As is commonly known, the Fifth Five Year Plan aims at accelerated development of the backward regions in the country which include mainly the tribal and hilly areas. Apart from the state plan schemes, substantial special central assistance is exclusively provided for the development of these regions. An outlay of Rs 450 crores for the tribal areas and Rs 300 crores for the hilly areas has been earmarked by the Planning Commission as special central assistance and each state government has been advised to draw integrated plans for the development of these backward regions. The plans for the development of tribals in the plains are controlled by the Tribal Welfare Department in the Union Ministry of Home Affairs. As for the hill areas, the states have been divided into two parts, i.e., those which are entirely hilly (like Himachal Pradesh, Jammu and Kashmir, Nagaland, etc.) and those which are partly hilly like Assam (2 districts), Tamil Nadu (1 district), Uttar Pradesh (8 districts) and West Bengal (1 district). In the case of the former states, i.e., wholly hilly, no separate sub-plan for development of hill areas is necessary as in their case the main plan itself is for the development of the hilly region. In the case of the latter states, i.e., partly hilly, a separate sub-plan is obviously necessary. These sub-plans are controlled

by the Hill Area Development Cell in the Planning Commission. Besides, these sub-plans are also expected to cover the tribal areas within the hilly areas. Accordingly, the GOUP have prepared a sub-plan for the 76 hilly blocks comprising the Garhwal and Kumaun Divisions in the state. These 76 blocks include five tribal blocks, viz., Chakrata, Kalsi (Dehra Dun district), Puraula, Naugaon (Uttar Kashi district) and Jaunpur (Tehri Garhwal district).

3.50 The state government's Fifth Plan for the hill region has a total outlay of Rs 279.62 crores. The outlays and expenditure during 1974-5 and 1975-6 and the proposed outlay for 1976-7 with break-up of outlays/expenditure under seven major heads, are given in Table 18.

TABLE 18

		Rs Crores				
		1974-5		1975-6		1976-7
Item	Fifth Plan (tentative outlay)	Approved outlay	Likely expenditure	Approved outlay	Anticipated expenditure	Proposed outlay
(1)	(2)	(3a)	(3b)	(4a)	(4b)	(5)
1 Agriculture and allied sectors	87.92	6.18	6.01	6.05	6.19	7.75
2 Co-operation	2.85	0.15	0.11	0.21	0.20	0.25
3 Water and Power Development	38.48	1.70	5.44	2.33	2.93	5.65
4 Industries and Minerals	22.70	1.49	1.10	1.17	1.30	1.52
5 Transport and communication	63.22	5.70	7.19	6.25	6.58	9.90
6 Social and community services	64.22	5.76	6.31	6.95	7.85	12.62
7 Economic services and others	0.23	0.03	0.02	0.04	0.05	0.06
<b>Total</b>	<b>279.62</b>	<b>21.01</b>	<b>26.18</b>	<b>23.00</b>	<b>25.10</b>	<b>37.75</b>

3.51 The main physical targets to be achieved by the end of the period of the Fifth Five Year Plan, i.e., in 1978-9, under major sectoral programmes are given below:

## I Agriculture

- (i) Total foodgrains production in the Hilly region to be increased from 10.66 lakh tonnes to 18.95 lakh tonnes.
- (ii) Area under orchards to be increased from about 0.64 lakh hectares to 0.90 lakh hectares and the production of fruits from 0.80 lakh tonnes to 1.30 lakh tonnes.
- (iii) In order to help growers in the selection of sites for orchards and to extend necessary extension services, it is proposed to establish six research stations and two soil testing units.
- (iv) With a view to helping growers in the disposal of their horticultural produce at remunerative price, it is proposed to establish 16 collection, grading, and warehousing centres at strategic points and also two cold storages with capacity of 3000 tonnes each.
- (v) For encouraging growers to plant new orchards, it is proposed to issue to them long-term horticultural loans on liberal terms for which a provision of Rs 1.60 crores has been made.

## II Minor irrigation

- (i) To create an additional irrigation potential of 0.45 lakh hectares through construction of 410 masonry wells, 4300 borings, 40 persian wheels, 4563 pump sets, 2620 tube wells and cover 8852 hectares with Guls and Hauzs.
- (ii) For achieving the above objective a provision of Rs 3.41 crores has been made as under:

	Rs Crores
(a) Long-term loans	2.25
(b) Subsidy	0.80
(c) Investment in debentures of sldb	0.20
(d) Staff/Tools/contingencies, etc.	0.16

## III Animal husbandry

- (i) To upgrade the productivity of local livestock by providing facilities for crossbreeding with improved

breeds, making available adequate feeds and fodder and ensuring effective health cover. Towards this end, the extension facilities that already exist are proposed to be strengthened as indicated in Table 19.

TABLE 19

Facilities	Existing	Proposed	Total number at the end of Fifth Plan
<i>Milch cattle</i>			
(a) Veterinary Hospitals	108	5	113
(b) Stockmen centres	391	41	432
(c) Natural breeding centres	110	28	138
(d) A.I. Centres	27	25	52
(e) A.I. Sub-centres	131	90	221
(f) Semen collection centres	1	1	2
<i>Sheep/goat rearing</i>			
(g) Sheep and wool extension centres with stud rams and mechanical shearing facilities	54	70	124
(h) Sheep/goat farms	13	2	15
(i) Exotic sheep breeding farms	—	2	2
(j) Disease investigation laboratory	—	1	1

(ii) The expected increase in milk, wool and meat production will be as under:

Item	1973-4	1978-9
Milk (lakh tonnes)	3.63	4.60
Wool (lakh kgs)	4.14	7.75
Meat (lakh kgs)	114.89	134.42

(iii) There are already pasteurization plants at Dehra Dun, Lalkuan-Nainital and Pataldevi-Almora with a capacity of 20,000 litres per day in the case of first two and 10,000 litres per day in the case of the third. During

- the Fifth Plan period, these plants will be modernized.
- (iv) Two chilling plants with a capacity of 2000 litres each per day have already been installed at Pithoragarh and Kotdwara (Pauri Garhwal). Three new chilling plants are proposed to be established at Srinagar, Uttar Kashi and Chamoli.
  - (v) All the above milk processing plants are being or will be managed by the milk producers' co-operative unions of the respective districts, the collection of milk being entrusted to the milk primaries. During the Fifth Plan period the milk unions/milk primaries already organized are expected to be strengthened and such new units will be organized wherever necessary. For this purpose, a provision of Rs 47.22 lakhs has been made.
  - (vi) During the Fifth Plan period, fodder development programmes are proposed to be undertaken in areas controlled by not only the Forest Department, but also the district collectors and the *panchayats*. These programmes will include distribution of fodder seeds of nutritious and high-yielding varieties for 11,390 hectares.

#### IV Co-operation

The strategy under this head is aimed at consolidation, revitalization and re-organization of existing co-operative institutions of various types and encouraging formation of new societies like labour contract societies, dairy development unions, fruit and vegetable marketing societies, processing societies, etc. It is proposed to organize three primary marketing societies, 25 fruit marketing societies, 16 labour contract societies affiliated to a new labour union of these societies, 326 milk primaries, 62 consumer stores and 50 small scale industrial and processing societies.

Thus, the Fifth Plan for the hill region of the state aims at providing institutional infrastructure with requisite extension facilities right up to the village level. The approach, however, is towards creation of multi-agencies at the base level.

#### *Approach to the problem*

3.52 Against the background of the existing position regarding institutional arrangements and extension facilities given above, the

field study undertaken at our instance as also the consensus that emerged at the Badrinath meeting, we felt that the most suitable as also acceptable approach to the solutions in respect of the issues referred for our examination should take note of the basic considerations set out below:

- (i) While the overall development of the hill region can be entrusted to the UPHDC, there is no alternative to co-operative agencies for the provision of institutional infrastructure at the district and base levels.
- (ii) Because of difficult terrain and the lack of communications, an institution at the base level to be effective in its operations, should have a limited area of operation so as to be within a trekable distance for its clientele.
- (iii) The economy of an average farmer from the hill region is traditionally linked to a growth centre which he visits at regular intervals to buy his necessities and to dispose of his surplus produce. Such a growth centre is normally a market centre with facilities like bus-stand, post office, primary health centre, etc.
- (iv) The economy of an average individual is also essentially a consumer economy. The links to a private agency are for obtaining his daily necessities on credit to be repaid out of sale proceeds of his agricultural or forest produce supplemented by his cash receipts from work as labourer in forest or on public works or from the periodical remittances from outside made by a household member. The links with a private agency perpetuate, despite accompanying exploitation, in the absence of similar institutional facilities.
- (v) Holdings being small or marginal and agricultural operations being carried on mostly on traditional level by the households themselves, the outlay on the raising of the crops is bare minimum, mainly for purchase of seeds and to a lesser extent of fertilizers, if the latter's use is beneficial. The type of crop loan as per the scales of finance fixed for the plane areas with compulsion on lifting fertilizers is, therefore, not suitable.
- (vi) Agriculture being unstable, reliance on subsidiary occupations is absolutely necessary, thereby indicating

the need for provision of institutional credit facilities for husbanding of milch cattle/sheep/goat with suitable extension services.

- (vii) For the same reason, availability of long-term loans for development of orchards from an institution is also imperative.
- (viii) Seasonality in repayment of dues as fixed under the crop loan system designed primarily for the plains will not work, as repayments are mainly out of sale proceeds of potato, ginger and apple crops which are harvested from June onwards up to October and out of receipts from subsidiary occupations allied to farming or otherwise.
- (ix) In fact, availability of an integrated cash credit type of facility which could be used for meeting farm expenses and lifting the necessities of life on credit will be more suitable as repayments therein are possible as and when cash surplus accrues.
- (x) Insistence on landed security will seriously undermine the credit eligibility of an individual thereby driving him perforce to the fold of private agencies. The way out seems to be to reckon both the farm and off-farm income inclusive of remittances from outside of an individual to determine his repaying capacity and the total credit eligibility.
- (xi) Even with predominance of small and marginal farmers, the hill districts, being covered by a separate Sub-Plan, cannot be brought under the SFDA/MFAL agency schemes. In such a situation, provision for subsidising capital outlay on various farming and allied activities under the Hill Sub-Plan is very necessary. For a similar reason, adoption of a differential rate of interest by the co-operative agencies, at least in the case of marginal farmers, is also advisable. Further, the departmental subsidies which are being given directly at present will have to be routed through the institutional agencies to avoid misuse.
- (xii) If from the view point of convenience of an average farmer, the organization of base level institutions is on the basis of growth centre approach, every base level society will cover limited area and restricted number of



households, thereby raising the question of its viability. The solution will partly lie in giving up multi-agency approach and making the institution the focal point of development of the families in the area. Still, if the institution is to undertake a package of activities including supply of consumer goods and marketing of all types of produce, it may not be economically viable without external assistance. This especially is true because the transport costs are prohibitive. In addition, for the sake of efficient working, every society at the base level will need two to three full-time paid employees. This would necessitate provision for transport and managerial subsidy for a fairly long period, i.e., until such time the growth of business of the society permits it to be self-reliant.

- (xiii) Organization of a society at the base level which will serve as the sole contact point for an individual, will entail the society taking up multifarious activities including the provision of long-term credit for agriculture. This would mean the society availing of different lines of credit from the higher financing agency for which it will have to provide margins, even if they are liberalised. Further, for the sake of attaining viability as quickly as possible, the society will have to ensure at least certain minimum involvement of its own in its business. This will not be possible, unless it has a wider capital base which is unlikely to come through its members who will be, by and large, small/marginal farmers. The solution lies in the state government making liberal share capital contribution in each society.
- (xiv) If such a society is to keep its operational costs to the minimum, it would be desirable if it looks to only one or two higher level organizations to support its various activities. The best course, therefore, would be that all the base level institutions in a district are affiliated to one institution for their credit functions and an another institution for their non-credit functions. Both these institutions will have to maintain a branch at least in every block without which closer supervision over the primaries in this difficult terrain will not be feasible. It will be uneconomic for the sldb to maintain its branch in

every hilly block. The way out in the circumstances is to integrate the long-term and short-term wings of the co-operative credit structure at the district level. Similarly, the functions of marketing of agricultural produce, forest produce, fruits and vegetables, milk, wool and wool products, supply of consumer goods and fertilizers may have to be integrated in one institution at the district level.

- (xv) While the integrated credit institution at the district level can be affiliated to the UPDB and the sldb, the district level units for non-credit functions can be affiliated to either the Hill Development Corporation or to one or two regional level marketing-cum-consumers federation/s.

The approach suggested above is also broadly in conformity with the recommendations of the All-India Conference on the role of co-operatives in the development of hill areas/states, convened by the National Co-operative Union of India at New Delhi on 30 and 31 January 1976.

#### *Proposed institutional set up*

3.53 Having identified the appropriate approach to the solutions in respect of the issues under examination, it is desirable to spell out in detail the strategy that may be adopted to build up the desired institutional infrastructure down to the village level in the hill areas of UP. The need for an institutional infrastructure best suited to the requirements of the clientele in the area, has been aptly described by the President of the World Bank, Mr Robert McNamara, in a recent speech, an extract of which is reproduced below:

"I consider the economics and technology of a project as also the institutional arrangements very important. This is because several programmes in many countries have failed due to lack of institutional infrastructure. The institutional infrastructure holds the key to the success of a programme".

(From a speech in New Delhi on 10-11-1976).

Further, for extension of purposive services, the institutional policies must take into account the fact that in the Hilly region,

crop raising, horticulture, forestry, dairy and cattle development and manufacture of homespun wool products cannot be considered as different and competing fields, but as complementary activities. In view of this position, the most suitable institutional set up may be as detailed in the paragraphs that follow.

3.54 The difficulties of terrain, the vagaries of weather and poor means of communications together lead us to the conclusion that every individual in the Hilly region must have easy access for all his requirements to institutional facilities from one single agency as close to him as feasible and that he should not be required to go from pillar to post for obtaining them. The base level organization best suited to the requirements of the Hilly region (excluding 8 blocks in the plane tracts of Dehra Dun and Nainital districts) is, therefore, a multipurpose co-operative society with headquarters at a growth centre and a limited area of operations, undertaking the functions and activities as under:

- (i) provision of short, medium and long-term credit for agricultural purposes;
- (ii) provision of inputs of agriculture like seeds, fertilizers, etc;
- (iii) provision of essential domestic requirements like food-grains, cloth, salt, sugar, vegetable oil, kerosene, matches, tobacco, soap, etc., against the member's entitlement under the cash component of the scale of finance or against a limit specifically sanctioned for meeting his consumption needs;
- (iv) provision of technical advice and guidance needed for modernizing agriculture and allied activities;
- (v) marketing of agricultural produce or products of allied activities like dairying including collection of milk, sheep breeding, etc.;
- (vi) marketing of minor forest produce and medicinal herbs;
- (vii) undertaking wherever possible forest or other labour contracts which will provide employment and additional income to members;
- (viii) mobilization of deposits; and
- (ix) undertaking such other activities as are incidental to the above functions.

3.55 As already stated, the scale of finance applicable to the

plane areas cannot be adopted in the Hilly region, as the credit obtained for raising the crops will be used primarily for meeting expenditure on obtaining daily necessities of life and to a very limited extent on the agricultural operations proper. It is desirable, therefore, to fix a scale of finance with three components, say, A, B and C. Component A may be disbursed in cash for meeting expenditure, if any, towards preparation of land, purchase of seed, etc. Component B may be utilized for lifting on credit agricultural inputs like fertilizers and the component C should represent the member's entitlement to lift on credit consumer goods from the stores of the society. Components A and B may together form one-third of the total scale of finance and component C, the balance. Further, repayment of the crop loan may be partly from the sale proceeds of produce and partly from off-farm income like cash receipts from working as labourers or by way of money orders. The total scale of finance may, have, therefore, to take into account the off-farm income. The estimation of the latter especially when a mass treatment is involved may prove administratively a stupendous task. As a way out, therefore, the short-term and medium-term credit eligibility of an individual may be related to the value of his produce, but at a percentage much higher than fifty recommended by the RBI under the crop loan system. The relevant percentage may be around 66, of which the short-term limit may be kept at 50 per cent of the value of produce. For instance, if on an average, the sale proceeds from the crop of potato from one acre of land are Rs 1500 the total eligibility for short and medium-term limit may be Rs 1000 and for short-term Rs 750. Of this, components A and B may be for Rs 125 each and the balance Rs 500 i.e., component C, may represent the entitlement for lifting consumer goods on credit from the stores of the society. This is only by way of illustration. The actual scale of finance for each crop may be decided after taking into account all related aspects.

3.56 The existing due dates for repayment of *kharif* and *rabi* loans are 31 March and 31 May respectively. We have earlier indicated that the repayments can forthcome mainly out of sale proceeds of *rabi*/horticultural produce, which accrue during the period June to September or out of off-farm income. Even the collection of medicinal herbs and other forest produce like lisa,

is undertaken during the summer months. Besides, the cultivator generally needs credit to meet his consumption needs from the month of November onwards which can be repaid during the months from the following June onwards until October. A part of the repayments can, however, come out of receipts from working as labourer or out of remittances from outside. In view of this position, it is desirable to adopt a cash credit system of lending. The total cash credit limit may be equivalent to the maximum gap between the outlay on the different crops as per the scales of finance and the receipts month by month during the period of one year starting from November up to the following October. This should include working capital outlay on vegetables and fruit-bearing trees for which a scale of finance on the basis of either per acre or per fruit-bearing tree can be adopted. Thus, the period of the cash credit limit for an individual will be starting from November and the same will be eligible for renewal, if credit summation is equal to the debit during the year. This type of lending will be suitable even for mono-cropped areas with altitudes of 6000 ft. or above in which credit is required as ways and means assistance for migration during the winter months and the credit so availed of is repaid partly out of the sale proceeds of the following potato/ginger crop, if any, and partly out of the following *khari* crop.

3.57 It may be noted that the procedure suggested in the above paragraph for fixation of an integrated cash credit limit for each individual farmer is basically from the view point of administrative convenience. The snag in the procedure suggested for fixing the total cash credit limit or credit eligibility of an individual on the basis of his repaying capacity calculated as a percentage of the value of agricultural produce is that such a system may not fully suit the requirements of a cultivator whose dependence is more on allied activities and off-farm work rather than agriculture proper. To overcome this deficiency the only alternative seems to be fixation of cash credit limits on the basis of credit plan for each individual taking note of his subsidiary occupations including income from sources other than agriculture and allied activities. Adoption of this method, however, may be possible once the proposed institutional arrangements including posting of the requisite staff stabilize. This may, therefore, be the ultimate objective.

3.58 Although agriculture is the mainstay of the people in the hilly areas, it cannot serve as the sole avenue for their livelihood. A system of orcharding complemented with pasture land and farming of livestock is, therefore, necessary for improving the economy of the people in these areas. The proposed society at the base level will not only have to issue long-term loans for raising of orchards, but also medium-term loans for purchase of milch cattle and rearing of sheep/goats. The state government has already set up, or has plans to set up, milk pasteurization/chilling plants in all the eight hilly districts. Plans are afoot for providing the necessary extension and health cover facilities. Arrangements have already been made for collection of milk, through milk primaries which are proposed to be strengthened. Husbanding of milch cattle can be a profitable subsidiary occupation in areas with altitudes of less than 6000 ft., especially because arrangements for collection of milk in view of relatively better communication facilities, can be made in these areas. Thus, the proposed base level societies (but not the milk primaries) in such areas can profitably issue medium-term loans for purchase of milch cattle. For this purpose suitable areas can be identified in advance and arrangements for collection of milk made therein. Availability of cattle of good breeds should not pose problems, as the same may be available from the government's cattle breeding farms or procured with the help of its extension staff. However, the work of collection of milk should be entrusted to the proposed base level societies and organization of separate milk primaries should be given up. The latter type of societies already organized should be merged with the proposed base level organization of the area.

3.59 The emphasis on medium-term loans for rearing of sheep/goats will have to be in areas with altitudes of above 6000 ft. which are known for production of fine quality of wool and homespun wool products. The supply of wool or wool yarn is, however, not indigenous and individual weavers have to depend on supplies from across the border for which they have to pay exorbitant prices. If indigenous supply of the raw material to as maximum an extent as possible is ensured, it will go a long way in uplifting the economy of the people in these areas. The importance of loans for sheep rearing need not further be emphasized. The beneficiaries, however, prefer maintenance of mixed flocks of sheep and goats as the

goats are used not only for milk and mutton, but also for transportation in these areas where the problem of communications is very acute. The loan policies may be the same as already devised by the RBI, including fixation of annual instalments for repayment in an ascending order. It may also be possible to ensure linking of credit with marketing. Presently, the district level staff of the Industries Department has a system of supplying wool or wool yarn, the price of which is adjusted against the cost of wool products handed over by the cultivator weaver. The Department has not faced any difficulty in disposing of the wool products, for which there is a great demand from the Khadi Board or merchants based in centres like Meerut or Delhi who come all the way for purchasing these products. All that is necessary is to institutionalize the whole arrangement where wool products can be pooled at the proposed base level society and their marketing arranged through the district level non-credit organization proposed later in this report. Arrangements for the provision of extension and health cover facilities are, as stated earlier, proposed to be substantially strengthened during the period of Fifth Plan.

3.60 As for long-term loans for horticulture, the same procedure as presently adopted by the slsb should be continued as this procedure takes into account the expenditure involved in not only the cost of seedlings, but also their maintenance till they reach the fruit bearing stage. Besides, the repayment schedule fixed has been related to the surplus generated from the activity.

3.61 It has to be remembered, however, that long-term loans for horticulture will have to be extended only where suitable plots are available. Similarly, medium-term loans for milch cattle and sheep/goat rearing may have to be given only in such areas where the availability of fodder will not be a problem and extension and health cover facilities can be made available. The annual programme for extending all the above three types of loans will have, therefore, to be drawn in consultation with the concerned extension staff at the district level maintained by the state government. The lead for this purpose will necessarily have to be taken by the district level credit organization proposed later.

3.62 The next question which assumes importance relates to the policy that should be adopted for the re-organization of primary

credit structure in the Hilly region. The guidelines for the purpose may broadly be as under:

- (i) Every re-organized society should have its headquarters at a growth centre and include in its area of operation all the villages that are traditionally linked with that growth centre. Its area of operation may not normally extend to a radius of more than 8-10 kms in areas with lower altitudes and 5-6 kms in areas with altitudes above 6000 ft.
- (ii) While the area of operation of a society may include the area/s of one or more *gramsabhas*, the condition that all the villages in its area should belong to the same *nyaya panchayat* may be waived, if the circumstances so warrant, so as to ensure that the traditional links of a cluster of villages with a growth centre are not broken merely because these villages belong to more than one *nyaya panchayats*.
- (iii) While the requirements at (i) and (ii) above would serve as the general principle, it should be ensured that the area of every re-organized society covers a gross cropped area of at least 800 hectares with about 1000 families if the society is situated at lower altitudes and above 400 hectares with at least 500 families, in case the location of the society is at an altitude of over 6000 ft. This should ensure that a society in the former category has a short-term agricultural loan business of Rs 1 lakh and the one in the latter category has such business of at least Rs 50,000.
- (iv) The identification of growth centres and the areas of the re-organized societies in a block may be initially done jointly by the concerned Additional District Co-operative Officer and the Assistant Development Officer (Co-operation) at the block. Their proposals may be forwarded to the Assistant Registrar of the district with the recommendations of the concerned Block Development Council. On receipt of the proposals from all the blocks in the district, the same should be scrutinized and approved jointly by the Assistant Registrar and the secretary of the concerned DCB and put up for approval to the District Board of the Janpad to ensure non-



official involvement. Once this is done the re-organization should be brought about on the basis of the block-wise plans so approved.

- (v) At the time of implementing the re-organization proposals, a number of procedural and legal problems will be encountered. Besides, there will be problems connected with the taking over of liabilities of existing societies with heavy overdues and bad debts by the societies identified for retention or by a new society. To overcome these difficulties the guidelines issued by the RBI to all RCSs in May 1976 through two circular letters may be followed.
- (vi) Every re-organized society will require a godown of its own. Since its creation will involve amalgamation with it of a cluster of societies at the primary level in the area comprising not only the existing credit societies, but also societies like milk primaries, fruit and vegetable marketing societies, all types of labour co-operatives, Janjatiya societies of the Social Welfare Department, it is likely that many of the re-organized societies will have a godown of their own. Still the Rural Godowns Programme envisaged under the Fifth Plan may be so altered as to give preference to re-organized societies which do not have a godown of their own.
- (vii) The state government may make a share capital contribution of Rs 25,000 to every re-organized society from out of funds borrowed from the RBI's Long-Term Operations Fund. The RBI, in turn, may take a liberal view regarding compliance with the presently prescribed terms and conditions.
- (viii) In view of its multifarious activities, every re-organized society will require the services of atleast two to three full-time paid employees. All these hands may be provided from the cadre of secretaries proposed later in Chapter 8. However, the cost of only one hand may be the charge on the Cadre Fund and the cost of additional hands may be met from the subsidy to be credited to the Fund for which a suitable provision may be made in the state's Sub-Plan for the Hilly region.

We are glad to note that pattern of re-organization proposed above has been accepted by the GOUP and action for re-organization of societies in the Hilly region has already commenced in pursuance of the circular instructions issued by the RCS on 31 January 1977. It is expected that there will be about 700 growth-centre level societies in the Hilly region.

3.63 The proposed base level organization may have a short-term agricultural loan business of Rs 1 lakh or Rs 0.50 lakh, depending on the altitude of its area of operation. However, with the adoption of special scales of finance, modified system of lending and emphasis on loans for animal husbandary, sheep/goat rearing and horticulture development, there will be a lot of scope for the proposed society to widen its business in loans other than short-term agricultural loans. Besides, the society will have a strong consumer wing and stock all essential commodities required by its clientele and will also handle the marketing of members' agricultural, horticultural and forest produce as also milk and wool products which together should improve its prospects of attaining viability. However, the expansion of the business of the society will depend on the speed at which the members diversify their activities. The proposed societies in the Hilly region may, therefore, require a longer gestation period to be self-reliant.

3.64 During the gestation period which may be even as long as ten years, the operational costs of every re-organized society will have to be appropriately subsidised. For, unless this is done, there can be no hope of providing meaningful institutional infrastructure at the base level throughout the Hilly region. It is in this context that a wider capital base and necessary arrangements for provision of adequate staff at no extra cost for every re-organized society, have already been proposed. Another area in which external assistance is absolutely necessary, will be for off-setting the higher costs involved in the transport of fertilizers and essential consumer goods to each society and lifting of agricultural and allied products from it. The best course is that, until the base level organizations reach viability, the entire expenditure may be borne by the proposed non-credit organization at the district level which may consider each affiliated society its sale/procurement point. For this purpose, suitable assistance to the district level organization (for non-credit business) can be

considered and provision therefor made under the Sub-Plan for the Hilly region.

3.65 In accordance with the suggestions made in the above paragraphs, the proposed societies at the primary level in the Hilly region will handle all types of credit business including long-term credit for agriculture. It is desirable that the societies maintain link with one district level organization for obtaining all types of their credit needs. Besides, the scope for long-term agricultural credit being limited, the sldb cannot be expected to substantially widen its coverage of branches in the Hilly region. In view of this position, we have proposed in Chapter 2 that in each of the six wholly hilly districts, i.e., barring Dehra Dun and Nainital the DCBs should integrate the provision of short-term and medium-term credit along with the long-term credit for agriculture. Thus, these DCBs will provide to the affiliated primaries all types of credit facilities including long-term credit for agriculture and working capital for non-credit activities. Besides, to ensure closer supervision over the primaries, every DCB will require a larger strength of supervisors than normal. For, in the Hilly region, if effective work is to forthcome from every supervisor, not more than 3 to 5 societies can be placed under his charge. Already, the cost of supervisors is borne by the government in the three border districts of Chamoli, Pithoragarh and Uttar Kashi. There is no reason why the other hilly districts should not benefit from this welcome arrangement. We would, therefore, recommend that the government should extend similar assistance to other districts in the Hilly region and meet the cost of supervisors posted in at least the hilly blocks.

3.66 The need for effective and closer supervision over the primaries and availability to them of credit facilities from the higher financing agency at as close a point as feasible, would require of every DCB to maintain its branch at least in each hilly block it caters. The branch expansion programmes of the DCBs will have to be formulated keeping in view the above objective and approved (waiving the normal requirements) by the Co-operation Department for branch subsidy and the UPGB for extension of assistance for giving a face lift to the branches in the hilly blocks.

This is very necessary as while the DCBs will have to maintain branches for the benefit of the affiliated primaries, the branches may not become self-supporting until the primaries in the area attain viability. Further, with proper face lift, the branches may be in a position to contribute substantially to the deposit mobilization programmes.

3.67 For the DCBs in the wholly hilly districts the prospects of attaining viability will depend on the progress of the primaries. Until then the loss of income on account of shortfall in business will have to be compensated. Larger share capital contribution from the state government will not only serve the above purpose, but also provide adequate capital base for each DCB thereby enabling it to sustain credit business of all types. It is for this reason that a suitable recommendation about the state government's additional share capital contribution in each of the above DCBs by borrowing from the RBI's LTO Fund, has been incorporated in Chapter 2.

3.68 The proposed organizations at the base level cannot become focal points of economic development for the rural population in the Hilly region, unless they are in a position to dispose of at remunerative price the agricultural produce, apples, medicinal herbs, products from allied activities, etc., of their members and supply to them on credit the consumer goods and agricultural inputs needed by them. These activities of the proposed primaries will have to be ably guided and supported, therefore, by a sufficiently strong and efficient organization at the higher level. This responsibility may not be divided among two or three institutions at the higher level as, for the sake of convenience of primaries and economy of administration at the higher level, it is necessary to avoid complex institutional structure even at the higher level. It is desirable to have one institution for non-credit business at the district level in each hilly district which will integrate the activities of the existing (i) general purpose marketing societies, (ii) fruit and vegetable marketing societies, (iii) societies dealing in the disposal of medicinal herbs and other forest produce, (iv) central consumer stores, (v) milk unions and (vi) societies, if any, arranging for marketing of wool products, etc. For this purpose, the existing District Co-operative Federation in each of these districts may be activated if considered feasible or else a new society

may be registered at the district level to handle all the non-credit activities enumerated above. The base level primaries will be affiliated to the proposed district level organization for non-credit business and the former may function as the sale depots/procurement points of the latter. The district society should have its branch in each block it serves with adequate godown facilities at the levels of both the block and the district. All district level organizations for non-credit business for the hilly districts may be affiliated in a regional federation of theirs or two divisional federations, one for the Garhwal division and the other for the Kumaun division. The regional/divisional federation will maintain links with the outside market and also the Provincial Co-operative Federation and guide/co-ordinate the activities of the affiliated district level societies.

3.69 Due attention will have to be given by the state government to ensure that each district level society for non-credit business has trained and adequate staff to man its head office and branches, an efficient organization for transport of goods/fertilizers and a strong capital base to sustain its multifarious activities. Substantial subsidies may have to be provided to it at least in the initial years. For all these purposes, necessary provisions may have to be made in the Sub-Plan for the Hilly region.

#### *Assistance to individual farmers*

3.70 As has already been indicated in the earlier paragraphs, there is a widespread demand for extending: (i) capital subsidies as available to identified beneficiaries covered by a SFDA/MFAL project and (ii) differential rate of interest, to cultivators in the Hilly region who are mainly small or marginal. Because of the weakness of the infrastructure and instability of agriculture, the small and marginal farmers of the hills are in a relatively disadvantageous position *vis-a-vis* their counterparts in the plains. There is, therefore, no reason why they should not be entitled for a subsidy for their capital outlay on purchase of milch cattle or sheep flock or bringing a plot under orchard. For all these activities, 25 per cent subsidy for small farmers and 33 per cent in the case of marginal farmers, should be made available in the hill districts by making suitable provision therefor in the Sub-Plan for the

Hilly region. But in order to ensure proper utilization thereof, direct disbursement of the subsidies may not be permitted and these may be routed through the credit institutions as in SFDA/MFAL areas. As for the differential rate of interest, our recommendations are contained later in Chapter 8.

### *Co-ordination*

3.71 The various recommendations regarding institutional infrastructure in the Hilly region contained in the above paragraphs, have been made with one main consideration that piecemeal planning has not helped so far and unless integrated/co-ordinated action through institutional structure is ensured, productive economy cannot be generated for the cultivators in the Hilly region. This principle would also hold good in so far as administrative arrangements are concerned and, therefore, the aim should be to have a more simple and single line administrative structure for the Hilly region. This is specially true because full co-ordination between the extension and institutional wings at various levels will be called for to ensure success of the plans aimed at ameliorating the lot of the people from the Hilly region.

3.72 For achieving the above objective, it may be beneficial to draw on the strategy that has been devised by the Union Ministry of Home Affairs (Department of Tribal Welfare) for the provision of suitable administrative machinery to ensure successful implementation of the Tribal Sub-Plans in the states like Bihar and Madhya Pradesh. The entire Sub-Plan area is divided into some viable integrated development project areas each of which has a project body of officials and non-officials with a project officer as executive head. All the extension staff belonging to various departments of the state government in the area works under the control of the project officer who is also expected to maintain close liaison with the credit and non-credit institutions functioning in the area. The project body and the project officer are responsible for ensuring successful implementation of the total developmental effort in the project area. At the state level, a body of officials and non-officials is constituted and a senior officer of the rank of a commissioner is made responsible to oversee the implementation of the entire Sub-Plan. This senior officer acts as the principal secretary

to the government in the different departments including Finance Department involved in the Sub-Plan schemes in so far as the Sub-Plan area is concerned.

3.73 As far as the Fifth Plan for the Hilly region in UP is concerned, the same strategy as above can be adopted as inter-action between various departments like Agriculture, Horticulture, Animal Husbandry, Dairy Development, Co-operation, Forest and Industries on the one hand and between the extension staff of these departments and the institutional agencies on the other hand, will have to be complementary so as to be complete in all respects. Each hilly district may form one project area. At the state level the Commissioner and Secretary, Hill Development Department, may have full powers to function as the principal secretary in various departments detailed above and also the Finance Department, to enable him to ensure effective and successful implementation of all the developmental schemes in the Hilly region.

3.74 The district level officers in charge of Agriculture, Horticulture, Animal Husbandry, Co-operation and Industries may be ex-officio nominated directors of the DCBs and the district level non-credit organization in each of the wholly hilly districts with a view to ensuring co-ordinated work on the part of the extension and institutional wings.

### *Conclusion*

3.75 The institutional arrangements proposed in the above paragraphs would, as stated earlier, cover 68 hilly blocks and exclude the eight blocks which comprise the plane tracts of the Dehra Dun and Nainital districts. For, while making the above suggestions, the fact that the hill areas differ in resource endowments, problems and potential and, therefore, should be looked upon as distinct entities for the purpose of formulating development programmes and schemes, has been fully kept in view. The emphasis will have to be on promoting mixed farming, as agriculture alone cannot help upgrade the economy of the farmers in the region. This would call for (i) necessary steps to develop pastures and grass lands along with orchards to fully utilize the hill slopes, (ii) multi-pronged action to promote integrated cattle and sheep develop-

ment programmes covering all aspects, viz., better breeding, nutrition, health cover and marketing facilities and (iii) evolution of well-conceived forestry schemes to ensure the development of forests and forest produce. However, the development of forests, horticulture, animal husbandry and agriculture which have an important role to play in the development of the rural economy of the hills, will be conditioned by the availability of power resources and, above all, the adequacy of communication facilities. Thus, development of roads is an indispensable infrastructural facility for opening up the economy of the Hilly region.

3.76 In a nutshell, the developmental activities in the Hilly region cannot be undertaken on a piecemeal basis for the desired results will not accrue unless all the sectors develop simultaneously. The planning for the purpose will have, therefore, to be integrated and systematic. Above all, the implementation of the plans so drawn by the departments/agencies concerned will have to be well co-ordinated. We are confident that the concerned authorities in the GOUP will give due attention to all these requirements while formulating the future plans, including the annual plans for the years 1977-8 and 1978-9, for ensuring rapid development of Hilly region of UP. As for the credit structure, we are of the view that once our recommendations are implemented, a net-work of strong, viable institutions, especially at the primary level, will emerge throughout the Hilly region.



## CHAPTER 4

### ARRANGEMENTS FOR FILLING CREDIT GAPS

4.01 THE short-term credit requirements for agriculture in UP have been estimated by us at Rs 415 crores in 1981-2 as may be seen from paragraph 1.41 of Chapter 1. As against this position, we have indicated in Section III of Chapter 2 that the co-operative banking sector comprising the UPCB and the DCBs may be in a position to lend Rs 240 crores to the re-organized pacs in 1981-2. This will be in addition to the sum of about Rs 62 crores presently locked up in overdues under short-term agricultural loans at the primary level in which the share of the DCBs is to the extent of Rs 13 crores. We expect that these overdues, if and when realised, will be re-lent or otherwise the defaulters concerned can be deemed to have enjoyed the benefit of co-operative credit for the amounts of their defaults. On this basis, the pacs in the state with refinance from the RBI/UPCB/DCBs will be in a position to meet in 1981-2 short-term agricultural credit requirements of the order of Rs 302 crores as per projections shown in Table 1.

TABLE 1

Rs Crores						
Year	Short-term agricultural credit support to pacs				Involve- ment out of funds presently locked up in overdues at pri- mary level	Total lendings col. (2a) + col. (3)
	Total	RBI's refin- ance	UPCB's share	Share of DCBs		
(1)	(2a)	(2b)	(2c)	(2d)	(3)	(4)
1976-7	130	82.50	27.50	20	62	192
1977-8	152	97.50	32.50	22	62	214
1978-9	174	112.50	37.50	24	62	236
1979-80	196	127.50	42.50	26	62	258
1980-81	218	142.50	47.50	28	62	280
1981-2	240	157.50	52.50	30	62	302

The credit needs that are expected to be met as above in 1981-2 will form 73 per cent of the credit potential estimated at Rs 415 crores.

4.02 Thus, despite the massive support from the co-operative banking sector as projected above, there will still be a credit gap of the order of Rs 113 crores or 27 per cent of the estimated credit potential at Rs 415 crores in 1981-2, leaving wide scope for alternative institutional sources to play a supplementary role and help bridge this credit gap to the extent possible. It is in this context that one of our terms of reference requires us to identify areas with large credit gaps in the state and, if the co-operative credit institutions are considered unable to fill in these credit gaps in the near future, suggest alternative institutional arrangements to do so to ensure that programmes of maximizing agricultural production do not suffer for want of credit support. The alternative institutional sources which can extend a helping hand in this behalf are the commercial banks and the regional rural banks (RRBs). From this view point, the financial and administrative strength as well as the present role in financing agriculture of the commercial banks operating in the state has been reviewed in the following paragraphs. The working of the RRBs has, however, not been reviewed, but only taken note of, as their existing coverage and operations are limited because of their recent origin.

#### OPERATIONS OF COMMERCIAL BANKS

4.03 As on 30 June 1976, there were 2218 branches of the commercial banks in the state. The district-wise and region-wise position of these branches with their distribution into rural, semi-urban, urban and metropolitan centres and population per branch office are given in Annexure 26. It will be seen therefrom that the number of rural branches at 920 formed 42 per cent of the total number of offices at 2218. The average population per branch office works out to 40,000 for the state as against the national average of 26,000 as at the end of June 1976 and UP can, therefore, be considered as a relatively under-banked state. The position in respect of the distribution of offices and availability of banking facilities, however, differs region-wise and district-wise as may be seen from Table 2.

TABLE 2

						Rs Crores	
	No. of branches					Population per branch office (in '000)	
	Total	Rural	Semi-urban	Urban	Metropolitan	Highest	Lowest
BR	91	42	34	15	—	62 (Banda)	11 (Lalitpur)
CR	405	130	79	79	117	92 (Hardoi)	18 (Lucknow)
ER	594	304	132	158	—	117 (Sultanpur)	24 (Varanasi)
WR	941	339	305	297	—	58 (Mainpuri)	20 (Meerut)
HR	187	105	56	26	—	44 (Pithoragarh)	9 (Dehra Dun)

NB: 1. Kanpur is the only metropolitan centre in the state.

2. Banking facilities can be considered as relatively less in the cases of those districts where the population per branch office is more.

### Deposits

4.04 The total deposits mobilized by the commercial banks in

TABLE 3

				Rs Crores		
	Deposits			Deposits per branch office		
	Total	Highest	Lowest	Average	Highest	Lowest
BR	35.84	15.81 (Jhansi)	2.59 (Lalitpur)	0.39	0.53 (Jhansi)	0.26 (Hamirpur)
CR	421.42	189.08 (Lucknow)	7.19 (Unnao)	1.04	2.08 (Lucknow)	0.32 (Rae Bareli)
ER	333.89	79.52 (Varanasi)	5.76 (Pratapgarh)	0.56	0.92 (Allahabad)	0.29 (Basti)
WR	514.91	113.84 (Meerut)	6.86 (Rampur)	0.55	0.75 (Agra)	0.26 (Budaun)
HR	129.52	81.95 (Dehra Dun)	0.66 (Chamoli)	0.69	1.34 (Dehra Dun)	0.06 (Chamoli)

the state stood at Rs 1435.58 crores as on the last Friday of June 1976. The district-wise position of deposits and outstanding advances as on that date is given in Annexure 27. The region-wise and district-wise position in respect of deposits may be seen at a glance in Table 3.

### *Loans and advances*

4.05 As will be seen from Annexure 27, the total outstanding advances of the banks as on the last Friday of June 1976 aggregated Rs 627.13 crores and formed 43.7 per cent of the deposits mobilized in the state. The region-wise and district-wise position in this behalf is given in Table 4.

TABLE 4

	Rs Crores					
	Advances			Credit deposit ratio		
	Total	Highest	Lowest	Average	Highest	Lowest
BR	6.37	2.57 (Jhansi)	0.40 (Lalitpur)	18	21.0 (Banda)	15.3 (Lalitpur)
CR	247.77	136.26 (Lucknow)	0.85 (Fatehpur)	59	72.1 (Lucknow)	11.7 (Fatehpur)
ER	112.36	24.69 (Varanasi)	0.73 (Pratapgarh)	34	79.4 (Mirzapur)	12.5 (Ballia)
WR	220.07	65.02 (Meerut)	2.05 (Mainpuri)	43	71.2 (Rampur)	18.3 (Etawah)
HR	40.56	20.84 (Dehra Dun)	0.13 (Chamoli)	31	52.8 (Nainital)	7.5 (Pithoragarh)

### *Agricultural advances*

4.06 It will be seen from Annexure 27 that as on the last Friday of June 1976, agricultural advances at Rs 115.86 crores formed 18.4 per cent of the total advances. As against this state position, the region-wise and district-wise position is given in Table 5.

TABLE 5

Rs Crores

	Agricultural advances			Percentage of agricultural advances to total advances		
	Total	Highest	Lowest	Average	Highest	Lowest
BR	2.18	0.67 (Jhansi)	0.13 (Lalitpur)	34.2	55.4 (Hamirpur)	25.6 (Banda)
CR	51.53	43.02 (Lucknow)	0.21 (Unnao)	20.8	52.8 (Barabanki)	3.8 (Kanpur)
ER	17.82	3.17 (Gorakhpur)	0.30 (Pratapgarh)	15.9	60.8 (Sultanpur)	4.1 (Mirzapur)
WR	38.19	8.62 (Meerut)	0.73 (Mainpuri)	17.3	45.8 (Etawah)	11.1 (Agra)
HR	6.14	5.54 (Nainital)	0.01 (Chamoli & Tehri Garhwal)	15.1	34.2 (Nainital)	1.8 (Dehra Dun)

4.07 The position in respect of direct financing of agriculturists by commercial banks during the year 1974-5, i.e., from the last Friday of September 1974 to the last Friday of September 1975 and of outstanding advances thereunder as on the latter date, is given in Table 6.

TABLE 6

Rs Crores

	Agricultural advances				Of which to those with land holdings upto 5 acres			
	Issued (September 1974 to September 1975)		Outstanding (Last Friday of September 1975)		Loans issued		Outstanding	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
BR	1324	0.77	2451	1.71	449	0.07	493	0.07
CR	5309	2.97	12209	5.33	2164	0.23	3859	0.24
ER	13528	4.72	28645	9.56	6369	0.28	12108	0.33
WR	26800	9.55	55627	22.02	12846	1.16	17192	1.04
HR	5555	3.84	11997	4.69	2186	0.08	3113	0.28
<b>State</b>	<b>52516</b>	<b>21.85</b>	<b>110929</b>	<b>43.31</b>	<b>22041</b>	<b>1.82</b>	<b>36765</b>	<b>1.96</b>

The quantum of agricultural advances to those with land holdings up to 5 acres, in respect of loans issued and outstanding form only 8 per cent and 5 per cent respectively of the loans issued and outstanding and can thus be deemed as meagre. The outstandings under agricultural advances issued directly to agriculturists increased from Rs 43.31 crores as on the last Friday of September 1975 to Rs 60.20 crores as on the last Friday of June 1976. Data about the share of short-term agricultural advances in the total agricultural advances issued directly are not readily available, but judged from the performance in this respect elsewhere, such advances in the state may not exceed Rs 10 crores.

*Advances to priority sectors*

4.08 A statement giving the district-wise position of advances to priority sectors and their percentage to the total advances as well as deposits is given in Annexure 28. As on the last Friday of June 1976, the advances to priority sectors formed 42 per cent of the total advances. The share of agricultural advances in the advances for priority sectors was quite substantial as the former constituted 44 per cent of the latter. The position at a glance may be seen in Table 7.

TABLE 7

Rs Crores

	Total advances	Total deposits	Advances to priority sectors	Percentage of col. (3) to		Advances for agriculture	Percentage of col. (5) to	
				col. (1)	col. (2)		col. (1)	col. (3)
	(1)	(2)	(3)	(4a)	(4b)	(5)	(6a)	(6b)
BR	6.37	35.84	4.10	64.4	11.4	2.18	34.2	53.1
CR	247.77	421.42	85.40	34.5	20.3	51.53	20.8	60.3
ER	112.36	333.89	48.75	43.4	14.6	17.82	15.9	36.5
WR	220.07	514.91	109.41	49.7	21.2	38.19	17.3	34.9
HR	40.56	129.52	14.27	35.2	11.0	6.14	15.1	43.0
<b>State</b>	<b>627.13</b>	<b>1435.58</b>	<b>261.93</b>	<b>41.8</b>	<b>18.2</b>	<b>115.86</b>	<b>18.4</b>	<b>44.3</b>

Although the share of advances to priority sectors in the total advances is more than the expected level of 33 per cent, it has to be remembered that the proportion of total advances to total deposits at 43.7 per cent is itself low. Besides, one major test of the utility of an institutional agency for the area in which it has mobi-

lized resources, is its involvement in the area in relation to resources mobilized in it by way of advances to priority sectors. Normally, the total loans should form about 60 per cent of the total deposits and if one-third of them is for priority sectors, the proportion of advances to these sectors should be about 20 per cent of the total deposits. On this basis, the advances to priority sectors in UP should have been of the order of Rs 287.12 crores as on the last Friday of June 1976 as against Rs 261.93 crores, forming 18.2 per cent of the total deposits. Further, if the share of agricultural advances in the advances to priority sectors is placed at one-half, the level of the former type of advances should have been around Rs 143.56 crores as against Rs 115.86 crores. While the above is the position for the state as a whole there are as many as 27 districts in the state in which advances to priority sectors form 15 per cent or less of the total deposits as may be seen from Table 8.

TABLE 8

Names of districts in which the proportion of advances to priority sectors to total deposits is				
between 10 and 15 per cent			below 10 per cent	
	(1)		(2)	
BR	Banda	(13)	Lalitpur	(9.7)
	Jalaun	(11)		
	Jhansi	(10)		
CR	Hardoi	(11)	Fatehpur	(8.8)
	Kanpur	(15)		
	Unnao	(10)		
ER	Bahraich	(14)	Allahabad	(7.0)
	Faizabad	(15)	Ballia	(7.5)
	Gonda	(11)	Deoria	(9.7)
	Gorakhpur	(12)	Pratapgarh	(8.8)
	Mirzapur	(13)		
WR	Bareilly	(12)	—	
	Bijnor	(13)		
	Etawah	(14)		
	Muzaffarnagar	(14)		
	Saharanpur	(12)		
HR	Garhwal	(15)	Almora	(7.1)
			Dehra Dun	(4.5)
			Pithoragarh	(6.4)
			Tehri Garhwal	(9.7)

4.09 The district-wise position regarding demand and recovery of agricultural advances as on the last Friday of June 1975 is given in Annexure 29. As against the demand of Rs 24.24 crores, recoveries were of the order of Rs 12.45 crores forming 51 per cent of the demand, i.e., the percentage of overdues to demand was 49. The position, region-wise and district-wise, may be seen at a glance in Table 9.

TABLE 9

	Percentage of overdues to demand		
	Average	Highest	Lowest
BR	62	73 (Jhansi)	16 (Hamirpur)
CR	56	62 (Lucknow)	42 (Rae Bareli)
ER	45	59 (Deoria)	36 (Faizabad)
WR	52	63 (Mainpuri, Moradabad)	25 (Pilibhit)
HR	20	80 (Garhwal)	7 (Pithoragarh)

In the three districts from the Hilly region, viz., Chamoli, Tehri Garhwal and Uttar Kashi, where agricultural advances were negligible, the figure of demand was nil in the year 1974-5, because none of the agricultural loans issued (or a part thereof) had fallen due for recovery.

#### *Financing of agriculture through pacs*

4.10 Besides undertaking financing of agriculture directly through their branches, commercial banks in UP have also been implementing in select districts the scheme of financing agriculture through pacs. In fact, UP is one of the first five states to adopt this scheme in 1970. Another term of reference requires us to examine, therefore, the working of the scheme and offer suggestions for its extension as well as for streamlining the procedures and overcoming the constraints, if any.



4.11 In UP, the scheme was first introduced in ten select districts by eight commercial banks through their 31 branches by taking over 157 societies. The number of societies taken over increased to 191 in the year 1971-2, but progressively declined thereafter and stood at 179 in 1974-5. In 1975-6, the scheme was extended to another three districts through three more branches of those commercial banks which were already operating the scheme. With this, the number of societies taken over in 13 districts increased to 210 at the end of June 1976, giving an average number of societies per branch at six which incidentally was also the average for the year 1971-2. Although, the number of societies taken over was 210, not all the societies were being financed. The percentage of the societies financed during the last six years ranged between 55 and 77. The highest percentage was in the year 1975-6. The membership of societies ceded to commercial banks as on 30 June 1976 stood at 87,124, giving an average of 415 per society. The borrowing members as on 30 June 1976 were 40,345 constituting 46 per cent of total giving thus an average borrowing membership of 252 per society financed.

4.12 The total short-term and medium-term loans issued to the societies taken up for financing during the last 6 years are as given in Table 10.

TABLE 10

Item	Rs Lakhs					
	1970-71	1971-2	1972-3	1973-4	1974-5	1975-6
Short-term	35.49	39.80	54.29	78.37	98.92	112.09
Medium-term	1.44	1.18	0.95	1.66	2.49	5.73
Cash credit	—	—	—	—	—	3.20
Total	36.93	40.98	55.24	80.03	101.41	121.02
No. of societies financed	87	112	127	123	119	160
Average loan- ing per society	0.42	0.37	0.44	0.65	0.85	0.76

During 1975-6, the Allahabad Bank and the Punjab National Bank had provided cash credits to the extent of Rs 0.84 lakh and Rs 2.46 lakhs to 6 and 7 societies respectively, presumably for sugarcane cultivation. Though the quantum of credit provided shows a pro-

gressive increase, the average loaning per society was less than Rs 1 lakh in all the six years and ranged between Rs 0.37 lakh and Rs 0.85 lakh. Thus the societies obviously did not have adequate business to achieve a viable status, as per the existing norm of Rs 3 lakhs adopted in the state for a viable society. The average number of societies per branch was also only 6, and with the present level of business, it was far below the number of societies and loan business required for optimum use of the field staff posted at a branch.

4.13 The comparative position of demand, recovery and overdues in respect of lendings through the societies is given in Table 11.

TABLE 11

Year	Demand	Recovery	Overdues	Rs Lakhs
				Percentage of overdues to demand
1970-71	61.67	30.79	30.88	50
1971-2	71.99	30.24	41.75	58
1972-3	98.42	54.33	44.09	45
1973-4	121.99	67.16	54.83	45
1974-5	145.85	72.93	72.92	50
1975-6	189.68	120.35	69.33	37

The percentage of overdues to demand declined to 37 in 1975-6 which in the earlier years was between 45 and 58.

4.14 Of the 210 societies taken over, 52 per cent, i.e., 124 societies had full-time paid secretaries in whose case somewhat better progress in the loaning business and/or recovery of overdues has been noticed. Under the scheme of managerial subsidy formulated by the state government, financial assistance to the extent of Rs 1800, on a tapering basis spread over 3 years, is available to such of those potentially viable societies as have appointed full-time paid secretaries.

4.15 To sum up, during the last 6 years, the scheme has not made much headway. Some of the reasons therefor could be: (i) ceding of societies on an *ad hoc* basis, (ii) non-availability of a

full-time paid secretary and (iii) the uncompromising attitude and mutual suspicion of the concerned parties.

#### *Overall assessment*

4.16 The review in the foregoing paragraphs indicates that while commercial banks are equipped, both financially and in terms of geographical coverage, to assume greater responsibility than at present in financing agriculture in the state, their performance in issuing loans for short-term agricultural production has not been encouraging. The scheme of financing agriculture through the pacs has also not yet taken firm roots in the state. In the light of these observations, the issues referred for our examination call for an in-depth consideration of three main questions, viz., (i) how much of the resources can be spared by these banks for financing agriculture in the course of the next five years, (ii) of the resources so estimated what should be the share of short-term agricultural loans and (iii) what should be the mode of lending for reaching as large a number of beneficiaries as possible.

#### *Estimate of resources*

4.17 The aggregate deposits of the commercial banks were of the order of Rs 1435.58 crores as on the last Friday of June 1976 which can be expected to reach a level of Rs 2,800 crores at the end of June 1981, assuming an annual growth rate of 15 per cent which is capable of being achieved in the normal course. The present credit-deposit ratio of the commercial banks in the state is 44 per cent. But the banks operating in UP can be expected to reach a credit-deposit ratio of 60 per cent by 1981-2, as in the meeting of the chief executives of public sector banks held in New Delhi on 21 January 1977, a decision has already been taken that at least 60 per cent of the deposits mobilized in the rural and semi-urban areas should be lent locally.

4.18 Thus, the level of total advances of the offices of the commercial banks located in the state can reasonably be placed at Rs 1,680 crores in 1981-2. Of the total advances, one-third may be to the priority sectors and of the allocation for the priority sectors, 50 per cent can be for agricultural activities. On the above

basis, out of their estimated deposit resources of Rs 2,800 crores at the end of 1980-81, commercial banks can allocate Rs 280 crores for financing agricultural and allied activities. In absolute percentage the amount forms 10 per cent of the total estimated deposits. Deducting the amount of about Rs 115 crores advanced presently for agricultural purposes, the banks may be able to allocate additional Rs 165 crores by 1981-2 for agricultural lending. Of this additional amount of Rs 165 crores, it is reasonable to expect the banks to spare at least Rs 75 crores for lending for short-term agricultural operations.

4.19 If such a massive expansion in credit, particularly in the sphere of short-term agricultural lending, has to be achieved, the question is what should be the organizational set up to reach a large number of cultivators residing in villages spread all over the vast expanse of the state. However, before offering our recommendations on the lines on which the commercial banks may proceed in this behalf, we would like to review briefly the coverage and operations of the RRBs in the state which can also be assigned some role in financing short-term agricultural operations to help reduce the credit gaps in their respective areas.

#### REGIONAL RURAL BANKS

4.20 Pursuant to the recommendations made by the Working Group on Regional Rural Banks, a programme for establishing these banks, which are basically scheduled commercial banks, though established under a separate legislation, has been launched all over the country from October 1975. The RRBs are expected primarily to finance small/marginal farmers, agricultural labourers, rural artisans and small entrepreneurs directly. Besides, they may lend indirectly, i.e., through the pacs including the fss, for agricultural operations and for such other purposes as are connected therewith. Thus, the idea behind the establishment of the RRBs is to augment the credit support for agricultural and allied activities that is being given by the existing institutional credit agencies. In UP, so far 9 RRBs have been established and their coverage is as shown in Table 12.

TABLE 12

				Rs Lakhs
RRB	Sponsoring bank	Date of opening	District/s served	No. of branches
(1)	(2)	(3)	(4)	(5)
Prathama Bank, Moradabad	Syndicate Bank	2-10-1975	Moradabad	20
✓ Gorakhpur Kshetriya Gramin Bank	State Bank of India	2-10-1975	Gorakhpur and Deoria ✓	20
✓ Samyut Kshetriya Gramin Bank	Union Bank of India	6-1-1976	Azamgarh and Ghazipur ✓	21
Barabanki Gramin Bank	Bank of India	27-3-1976	Barabanki	21
Rae Bareli Kshetriya Gramin Bank	Bank of Baroda	29-3-1976	Rae Bareli	20
Farrukhabad Gramin Bank	Bank of India	29-3-1976	Farrukhabad	20
Bhagirath Gramin Bank, Sitapur	Allahabad Bank	19-9-1976	Sitapur	5
✓ Ballia Kshetriya Gramin Bank	Central Bank of India	25-12-1976	Ballia ✓	3
✓ Sultanpur Kshetriya Gramin Bank	Bank of Baroda	8-2-1977	Sultanpur ✓	—

The RRBs which have been set up earlier than April 1976 have vigorously pushed through their programme of setting up a branch net-work and the number of branches is 20-21 per RRB in respect of 6 such banks.

4.21 The data in respect of financial position and operations of these RRBs as on 31 December 1976 are given in Annexure 30. It will be seen therefrom that the six RRBs which are in existence for more than one year, have been able to mobilize sizeable deposits ranging between Rs 18 lakhs and Rs 100 lakhs. Relatively, the performance of the Barabanki RRB is not satisfactory, while that of Gorakhpur RRB in whose case the deposits have touched a level of Rs 1 crore is quite good. In the sphere of advances also,

the Gorakhpur RRB leads the rest with the total outstanding advances of Rs 73.37 lakhs. Here again the Barabanki RRB is at the bottom; the outstanding advances in its case being Rs 13.07 lakhs. The share of advances for agricultural and allied activities in the total advances ranges from 51 per cent in the case of RRB for Azamgarh/Ghazipur to 80 per cent in the case of Rae Bareli RRB. Except for the Gorakhpur RRB, no other RRB has taken up financing of agriculture through pacs. One-third of its total advances is outstanding against 13 societies.

4.22 To sum up, the six RRBs which are in existence for over one year, with their good branch network and a fairly satisfactory resources position, can be counted upon to share the responsibility in financing short-term agricultural production, along with the commercial banks. No separate share has, therefore, been indicated by us for them and commercial banks may be taken to include the RRBs also.

#### AGENCY FOR PURVEYING CREDIT

4.23 We have estimated earlier that commercial banks operating in UP can by 1981-2 spare about Rs 75 crores for meeting short-term agricultural credit needs in the state, as against their present level of advances for the purpose at about Rs 10 crores. If such a large expansion in the sphere of short-term agricultural loans has to be achieved, reliance on direct financing alone may not be helpful. It has now been accepted that the cost of retailing short-term agricultural credit directly on such a large scale in the rural areas is prohibitive and supervision over the end-use of credit is quite a difficult proposition. The question of the most appropriate institutional arrangement for agricultural credit was examined in 1974 by a Group headed by Shri T. A. Pai, the then Union Minister for Industries. The Group recommended that in view of the infrastructural problems and the relatively high cost of direct lendings, it would be preferable for the commercial banks to choose an association of the local people, preferably a fss or a viable multi-purpose co-operative society. The Group's recommendations have been accepted by the GOI and the latter have outlined the future policy in this behalf in their circular letter dated 7 February 1975 to the state governments. Commercial banks

have been advised that they may examine the possibility of providing credit facilities through fss or viable primaries before opening their branches below the *mandi* level. More recently, the Madhya Pradesh and Bihar Study Teams appointed by the RBI have endorsed this policy and recommended that commercial banks should undertake financing of agriculture through viable pacs on a larger scale than hitherto.

4.24 In UP, as we have noted earlier, the scheme of financing agriculture by commercial banks through pacs has been facing a number of difficulties and has, therefore, not been able to make much headway. But with the re-organization of pacs almost throughout the state, the arrangements made for posting of a full-time paid secretary in every re-organized society and the measures proposed by us later in Chapter 7 for tackling the problem of overdue, the main constraints in locating societies acceptable to the commercial banks would stand removed. Besides, if an area approach is adopted for transfer of societies to commercial banks and the identification of such areas is made on some objective criteria, most of the differences on this count can be settled to the satisfaction of all concerned. As for the uncompromising attitude of interested parties, which is noticed in some areas, we have offered some alternatives for consideration later in this chapter. In the essence of things, we endorse the views of the expert Group/Teams referred to in paragraph 4.23 above and recommend that the commercial banks operating in UP should earmark at least about Rs 40 crores out of the resources of Rs 75 crores that will be available in 1981-2, for financing short-term agricultural production through the re-organized pacs.

#### IDENTIFICATION OF AREAS

4.25 The next pertinent question which needs careful consideration is what should be the objective criteria for identifying areas for the transfer of pacs for financing by the commercial banks. The approach in this behalf will necessarily have to ensure that the entry of a commercial bank is for supplementing the efforts of the concerned DCB and, therefore, leaves sufficient business potential for the latter to support its own branch. The identification of such areas can, therefore, be done on the basis of block-wise

credit gaps, not alone as a percentage to the credit potential in the block, but also in relation to the absolute amount so as to ensure that, while a branch of a commercial bank is given adequate business, the remaining area in the block offers sufficient potential for the DCB concerned to maintain its branch in the block. A branch of a commercial bank should have a short-term credit business of at least Rs 20 lakhs to ensure optimum utilization of the field staff posted at the branch. Thus, for identifying suitable areas for transfer of pacs to commercial banks, we have proceeded on the basis that such areas may be from blocks which have a minimum credit gap of Rs 45 lakhs in absolute amount and exceeding 50 per cent of the total credit potential in percentage. It may, however, be mentioned here that, while the district-wise credit gaps in Chapter 1 have been worked out as at the end of June 1976, for want of block-wise data for 1975-6, the block-wise credit gaps have been worked out for the period ending June 1975. The relevant data for blocks with credit gaps exceeding Rs 45 lakhs and 50 per cent of credit potential are given in Annexure 31. The region-wise distribution is given in Table 13. Besides, it has also to be noted that the requisite data have been received from 38 out of 47 districts in the plane areas in the state and in respect of non-hilly blocks from the Dehra Dun and Nainital districts from the Hilly region. The block-wise data in respect of credit potential in the hilly tract of the state are not available. In the case of districts in the hilly areas, as we have noted in Chapter 1, the short-term credit potential is low in view of its peculiar terrain. We have, therefore, confined our exercise of identification of areas with wide credit gaps in the districts in the plane areas and only in the plane tracts of Hilly region for which the relevant data are available.

TABLE 13

Credit gaps in amount	Rs Lakhs					
	Number of blocks					
	Total	BR	CR	ER	WR	HR
45- 70	125	23	17	18	64	3
70-100	18	5	1	—	10	2
Above 100	4	—	—	—	4	—
	<b>147</b>	<b>28</b>	<b>18</b>	<b>18</b>	<b>78</b>	<b>5</b>



4.26 Keeping in view the considerations of viability of a branch of a commercial bank as well as the DCB concerned in the blocks identified in paragraph 4.25 above, we suggest that the extent of influence of commercial banks may be as under:

- (i) Where the credit gap is between Rs 45 lakhs and Rs 70 lakhs, to the extent of Rs 20 lakhs to be handled by one branch;
- (ii) Where the credit gap is between Rs 70 lakhs and Rs 100 lakhs, to the extent of Rs 40 lakhs to be handled by two branches, at the rate of Rs 20 lakhs per branch.
- (iii) Where the credit gap exceeds Rs 100 lakhs, to the extent of Rs 60 lakhs to be handled by three branches, at the rate of Rs 20 lakhs per branch.

On the basis of the norms as above, the number of branches of commercial banks required in each such block is given in col. 6 of Annexure 31. The number of blocks in category (i) is 125 (125 branches), in category (ii) 18 (36 branches), and in category (iii) 4 (12 branches). In fine, 173 branches of commercial banks will need to take up financing of pacs in 147 blocks, the names of which, district-wise, are available in Annexure 31. Their region-wise distribution is given in Table 14.

TABLE 14

	Total	BR	CR	ER	WR	HR@
No. of blocks	147	28	18	18	78	5
No. of commercial bank branches	173	33	19	18	96	7

@ Plane blocks in Dehra Dun and Nainital districts.

At the rate of Rs 20 lakhs per branch, the commercial banks may by 1981-2 provide Rs 34.60 crores by way of short-term agricultural credit through the pacs in these 147 blocks.

4.27 As we have observed earlier, the identification of areas for transfer of societies for financing by the commercial banks is confined to blocks in the 40 districts (including Dehra Dun and Nainital) from the plane areas, in whose respect data have been made

available. This includes the plane tracts of Dehra Dun and Nainital districts. The GOUP will have to attempt similar exercise to identify areas for allocation to the commercial banks from blocks in the remaining 9 districts from the plane tracts of the state. Our rough estimate is that on identification of suitable areas from blocks with wide credit gaps in the above nine districts, the commercial banks may have to provide additional Rs 6 crores of short-term credit bringing the total of such credit provided through the pacs to about Rs 40 crores by 1981-2. It is not necessary to undertake such exercise in respect of the 68 hilly blocks, as the short-term credit potential in each such block is so low as would not warrant the entry of commercial banks.

4.28 It is, however, possible that in the identified blocks, the required number of commercial bank branches may not be available. We, therefore, suggest that the RBI's DBOD may allocate suitable centres to the commercial banks for opening their offices in such blocks on a priority basis, at least to the extent of the short-fall.

4.29 As in the case of the co-operative banking structure which will meet its share of responsibility in a phased manner, the commercial banks also will provide the projected level of credit of Rs 40 crores through the pacs, over a period of five years ending 1981-2 and, therefore, the programme of taking over pacs for financing may be phased over a period of the next four years commencing from 1977-8 to 1980-81. This will enable the commercial banks to arrange for, apart from opening branches where there is a short-fall, the appointment of the required staff with proper training to handle the business.

4.30 We have indicated earlier that at least 6 RRBs in the state, in existence for more than a year, can share some minimum responsibility in meeting the credit needs of short-term agricultural production in the state. We, therefore, recommend that preference may be shown to these RRBs and such others as may be established in the future, *vis-a-vis* the other commercial banks in the allocation of areas and societies from the districts in which these RRBs operate or may function in the future.

4.31 Above all, the plan of action proposed by us in the above paragraphs, does not envisage transfer of the entire identified blocks for financing to the commercial banks, but only of compact areas, each offering a business potential of Rs 20 lakhs from such blocks to one, two or three branches of the commercial banks, depending on the extent of credit gap in amount in each such block. The actual selection of the area or areas from each identified block may have, therefore, to be left to some independent authority. We suggest that the work may be entrusted to District-level Co-ordination Committees of which the Collector (District Magistrate) is the chairman and in which both the commercial and co-operative banks are represented. Such Committees may be constituted wherever they do not exist. The decisions of the Committees in this behalf may be ratified by the State-level Co-ordination Committee which may also decide on matters of policy. Once the allocation is finalized, no one should be allowed to alter it unilaterally. Further, the commercial banks have already taken over 210 pacs for financing. Preference may be given to the concerned banks in selecting areas in which these societies are located. Wherever this is not possible, we suggest that the better course would be to retransfer such societies to the concerned DCBs.

#### ALTERNATIVES FOR SPEEDY IMPLEMENTATION

4.32 As against the estimated credit potential of Rs 415 crores in 1981-2, we have estimated earlier that the pacs in the state with the support of the UPGB/DCBs may be in a position to meet by that year credit needs to the extent of Rs 302 crores. We have also suggested that the scheme of commercial banks/RRBs financing re-organized pacs may be introduced in certain identified blocks so as to ensure a total short-term credit supply of about Rs 40 crores from them through the pacs. This means that in the total short-term credit supply of Rs 342 crores that will be handled by about 8000 re-organized pacs in 1981-2, the share of the commercial banks/RRBs will be Rs 40 crores which works out to 12 per cent of the total credit supply. Thus, arrangements will have to be made to transfer for financing about 900 re-organized pacs in select compact areas to the commercial banks/RRBs, in a phased manner during the four-year period 1977-8 to

1980-81. The number of societies to be transferred per branch of a commercial bank/RRB will be, on an average 5, but will range between 4 and 6 depending on the size of business of the societies. This is half of the optimum suggested by the RBI in this behalf. This is because the average business of each society will be more than Rs 4.50 lakhs as against Rs 2 lakhs assumed by the RBI. The *nyaya panchayat* level societies in UP are somewhat larger than the viable society envisaged by the RBI. The question is whether, in the light of past experience, the progress as envisaged above can be achieved within a short span of four years, if the matters are left exclusively to the concerned institutions.

4.33 Finding that a purely voluntary approach may not yield results, the Madhya Pradesh Study Team proposed two alternatives for consideration. One alternative is a kind of consortium/participation arrangement between a commercial bank and the DCB of the district and the second alternative envisages compulsory disaffiliation of the societies in the identified compact areas from the DCB and their transfer to a commercial bank. However, neither the compulsory disaffiliation of societies nor the consortium/participation arrangement has been tried so far anywhere and, therefore, the Madhya Pradesh Study Team recommended that both the alternatives might be considered for giving a fair trial. The RBI, however, took the view that either or both of the two alternatives could be considered for introduction after full implications thereof are first discussed with the interested parties. At its instance, therefore, the matter, along with others, has been referred to a Working Group appointed in October 1976 (under the chairmanship of Shri C. E. Kamath, Chairman, Canara Bank) to study the problems arising out of adoption of multi-agency approach in agricultural financing. Until the report of the above Working Group is submitted and approved by the RBI, neither of the two alternatives can be considered for introduction. However, in addition to the two alternatives proposed by the Madhya Pradesh Study Team, we would suggest for consideration by the Kamath Working Group referred to above, three more alternatives to ensure speedy involvement of the commercial banks in financing short-term agricultural production. All these five alternatives i.e., the two proposed by the Madhya Pradesh Study Team and

the three alternatives which we would like the Kamath Working Group to consider, are discussed in the paragraphs that follow.

*Consortium/participation arrangement*

4.34 Under the consortium/participation arrangement, a commercial bank, instead of adopting societies from select compact areas in blocks with wide credit gaps, may take up for financing all the re-organized pacs in one or more extension blocks in the district. It may select such blocks as are convenient from the view point of proximity/communication from its branch office/head-quarters, etc. It will be the 'leader bank' in such blocks. Similarly, the DCB of the district can also be the 'leader bank' in some other blocks. There will not be any selection of societies in these blocks and all societies satisfying the usual norms will be eligible for servicing by the concerned 'leader bank' in the block. The number of blocks in a district to be covered by the consortium or participation arrangement can be linked to the extent of credit gap and the extent of the role assigned to commercial banks in each district on the basis of the norms indicated in paragraph 4.26 above. Both the participating banks will follow common procedures regarding the preliminary credit assessment of cultivator-members of societies, for crop loans as well as term loans, preparation of credit limit statements, sanction of credit limits, final disbursement in cash and kind to the concerned members, etc., as envisaged under the production-oriented system of lending. The final appraisal and sanction may be done jointly by the participating banks on the basis of approved norms. While the disbursements to the societies will be made by the 'leader bank', the share of participating banks in such advances can be in a mutually agreed proportion. Consequently, the recoveries from the societies will also be shared in the same proportion. Thus, under such an arrangement there is no question of, or no need for, taking over of the existing liabilities of the societies to the DCB by the commercial bank. If, however, the outstandings of a DCB against the societies located in an area identified for consortium/participation arrangement include overdue loans, such loans may be excluded from the amount to be shared between the two banks. In other words, the past overdue loans may continue to be borne on the books of the DCB. Supervision over the societies may be the sole res-

possibility of the 'leader bank'. Where the commercial bank does not have the necessary complement of staff for supervising the societies, the supervisors of the DCB in the block may be placed under its administrative control and their cost borne by the commercial bank. While the societies in the select block, for all purposes, will deal only with the 'leader bank', there may be tripartite agreement among the society, the DCB and the commercial bank setting out, among other things, the proportion of sharing the lendings, the rights and obligations of the participating banks *inter se*, the rights of the 'leader bank' to inspect/supervise the society and apportion the recoveries as also share collections in the agreed proportion.

4.35 The consortium/participation arrangement may be advantageous in many ways. Firstly, the pacs will not be required to sever their financial relations with the DCB completely, as the latter will continue to be responsible for providing funds to them according to the share agreed to between it and the commercial bank. Secondly, as the DCB will continue to maintain its organic and financial link with the pacs, it can continue its efforts through persuasive or coercive action to recover its overdue loans from the societies. Thirdly, the advantage of personal contacts with the managements of the pacs and the experience which the DCBs and the state co-operative bank have acquired in the field of agricultural credit will be available to the commercial banks. Finally, in a consortium/participation arrangement, it should be possible to have a cluster of well-developed and poorly developed areas so that, the responsibility for the latter type of areas will be on both the commercial and co-operative banks and the benefits of business from the more developed areas can accrue to both the institutions. However, the success of consortium/participation arrangement will depend on the two parties having the same approach to the various problems and a desire to work with the greatest degree of understanding.

#### *Compulsory disaffiliation*

4.36 The compulsory disaffiliation of societies would, as the name suggests involve compulsory transfer of the requisite number of re-organized societies in the identified blocks from the DCB

concerned and their adoption for financing by one branch or the other of a commercial bank/RRB in the area, without leaving the matter to the discretion or willingness of the connected parties. While such an action will help ensure speedy transfer of societies to the commercial banks for financing, compulsory disaffiliation of pacs from the concerned DCBs may not be appreciated by their managements and membership. For one thing, the pacs have been used to dealing with the DCB of the area, although it is true that in many cases the latter has not been able to cater to the requirements of the membership to the fullest possible extent. Secondly, the record of the commercial banks in the financing of pacs which have been attached to them for the last five years has not been so outstanding or even encouraging as to inspire confidence in the managements of the societies and also the state government that, they will acquit themselves satisfactorily in providing credit facilities to the extent envisaged for them. Thirdly, if societies are compulsorily detached from the DCBs, these banks may press for the commercial banks taking over all the liabilities of the societies to them inclusive of the past overdue. Thus, unless the commercial banks agree to take over all the liabilities of the societies to DCBs inclusive of the overdue, it may be difficult to push through an arrangement which involves disaffiliation of societies compulsorily.

#### *Participation at the district level*

4.37 The third alternative which we propose for consideration is to limit the scope of participation between the DCB of the district and a commercial bank or RRB, to the district level, leaving all the field level operations to the DCB which will be the lender institution in so far as the pacs are concerned. But the participation at the district level as above will not be restricted merely to the pooling of resources, but also cover all policy matters in relation to the provision of credit, like lending policy and procedures, supervision arrangements, action to be taken to ensure prompt recoveries, etc., which aspects should be decided by the participating banks in mutual consultation. The participation between the two banks as proposed will cover the agricultural credit business only. Besides, the participating commercial bank/RRB as also the other such banks operating in the district may

have full freedom to finance the non-member cultivators directly. The share of the participating banks in advances to and the recoveries from the pacs will be in a mutually agreed proportion. The cost of supervision over the societies may be shared in proportion to the shares in the loans of the participating banks. The districts to be covered under the proposed arrangement may be all such districts in which the scheme of financing agriculture by the commercial banks/RRBs through the pacs, has been proposed by us for introduction as per details contained in Annexure 31. The bank participating in the scheme along with the DCB may preferably be the lead bank of the district or the RRB operating in the district. The quantum of resources pooled by it may be to the extent of the share as estimated by us in Annexure 31 for that particular district for routing finance by the commercial banks/RRBs through the pacs. Besides, it will be obligatory on the DCB of the district to ensure that the funds made available to it under the proposed participation arrangement are utilized by it for financing the pacs in such blocks as have been identified by us as having wide credit gaps. Above all, in order to ensure that the participating commercial bank/RRB has an effective say in deciding all matters of policy in relation to agricultural financing and has also an easy access to the records about the loan operations of the pacs, it may have its own representative on the management of the concerned DCB. This can be ensured by the RCS nominating a representative of the participating commercial bank/RRB on the board of directors of the DCB. In short, the proposed arrangement will not only equip the DCB concerned financially, but also help strengthen its operational capacity.

4.38 The participation at the district level discussed in the above paragraph will have all the advantages of the consortium/participation arrangement proposed by the Madhya Pradesh Study Team which have been enumerated earlier in paragraph 4.35. Further, since all the pacs in the district will be under the proposed arrangement, linked to the DCB alone for finance, the DCB will be in a better position to ensure recovery of its past overdues. Besides, none of the pacs will have to sever its connections with the DCB even partially and therefore, organic and financial links with the DCB will be fully preserved and consequently it may be possible to introduce the arrangement of participation at the district



level relatively quickly. But the success of the proposed new arrangement again will depend on the degree of mutual understanding and co-operation between the participating banks and willingness on their part to work in an atmosphere of give and take.

*Pooling of resources*

4.39 The next alternative which came up for discussion during our deliberations and which we would like the Kamath Working Group to take note of for further examination, relates to confining the role of commercial banks/RRBs in financing agriculture to placing of a certain prescribed proportion of their deposit resources mobilized in a district with the DCB of the district for financing the pacs, leaving the aspects of formulation of loan policy and procedures, supervision over the end use of credit, recovery and all other field level operations, exclusively to the DCB concerned. This can be ensured through a directive to the effect to all commercial banks/RRBs issued by the RBI's DBOD in pursuance of a national level decision in this regard. Some such arrangement has been already operating in Thailand. The commercial banks/RRBs may be entitled to a return at certain prescribed rate on the funds placed by them with the DCBs. A suggestion to this effect is frequently made, but has not been favourably considered largely because credit gaps arise not necessarily from the lack of resources, but primarily from the absence of a proper infrastructure and sound management which will not be remedied by commercial banks placing funds at the disposal of the DCBs. These banks must be actively involved in building up the structure and improving the efficiency of management which will not be secured, if their participation does not go beyond making funds available to the DCBs.

4.40 The fifth alternative which can be a solution to the problem of providing suitable institutional arrangements in areas with wide credit gaps, may be to take full advantage of the ever spreading branch network of the commercial banks and the RRBs in rural areas. Under this arrangement, the branches of the commercial banks/RRBs can operate as intermediate level financing institutions in the identified blocks with wide credit gaps. A cluster of re-organized societies in each such block can be attached for

financing to a few convenient branches of the commercial banks/RRBs, either already existing in the area or opened on priority basis specifically for the purpose. In effect, such an arrangement would mean the concerned DCB withdrawing fully from the blocks with wide credit gaps and concentrating its attention on the other blocks in the district. The proposed alternative is in conformity with the principle that, once there is a viable and efficiently managed primary society at the base level to meet the credit needs of the member-cultivators adequately and in an orderly manner, it does not matter whether the refinancing institution at the higher level is a branch of the DCB or a commercial bank or the RRB operating in the area. However, this alternative creates a single agency for credit in the whole block and this ignores the benefits accruing from a multi-agency approach. Besides, a number of problems like the viability of the branch or branches of the DCB in such blocks, the viability of the DCB itself, if substantial areas have to be transferred, the need to maintain organic links of the pacs in such blocks with the higher level institutions in the co-operative sector, the availability of the necessary staff with experience in agricultural financing with the concerned branches of the commercial banks/RRBs and above all the taking over by them of liabilities of the pacs to the DCB in respect of past overdues, will have to be tackled so as to ensure the willingness of all the interested parties to accept the proposed arrangement undogmatically without which the desired results may not forthcome.

#### *Our preference*

4.41 While we would, as already indicated, suggest that the question of suitability or otherwise for introduction of any one or more of the above five alternatives may be further examined by a national level committee like the Kamath Working Group which is specifically required to study the problems arising out of adoption of multi-agency approach in agricultural financing, we as a Team after weighing fully the merits and demerits of each of these alternatives discussed in the above paragraphs, favour for introduction, the third alternative of participation at the district level. One view, however, favours for adoption, the fifth alternative of replacing the DCB by branches of commercial banks/RRBs in so far as blocks with wide credit gaps are concerned. But, at the

same time, we recommend that the concerned authorities in the GOUP may await the views of the RBI in this behalf which may be communicated after the report of the Kamath Working Group is submitted. Until then, action as proposed earlier of transferring a cluster of re-organized societies in a compact area or areas in blocks with wide credit gaps to one to three branches of the commercial banks/RRBs as per details given in Annexure 31, may be vigorously pursued to ensure the influence of the commercial banks/RRBs in financing short-term agricultural production in UP to the extent envisaged by us.

#### OTHER RELATED MATTERS

4.42 We have earlier proposed that out of the sum of Rs 75 crores that may be available with the commercial banks for involvement in short-term agricultural loans in 1981-2, about Rs 40 crores may be routed through the re-organized pacs. Thus, the balance of Rs 35 crores will be available with the banks for direct lending. The question is whether commercial banks should lend directly in the areas of the pacs ceded to them for financing. In this connexion we endorse the recommendation of the Madhya Pradesh Study Team that in the interest of viability of the societies attached to the commercial banks/RRBs, they may have to be selective and not lend directly to at least such cultivators as may have no difficulty in obtaining their full credit requirements through the societies taken over for financing by them. Even if this suggestion is implemented, the commercial banks/RRBs will have a large scope for issuing finance direct to the cultivators in blocks in which the scheme of financing pacs is not introduced. Even in these blocks, the direct financing by the commercial banks/RRBs may be restricted to such cultivators as are not members of the re-organized pacs and/or as are not in a position to obtain their full credit requirements from the pacs. The present level of direct lending for short-term agricultural purposes of the commercial banks in UP is around Rs 10 crores. It may not be difficult for the banks to increase such lendings by another Rs 35 crores so as to reach a level of at least Rs 45 crores by 1981-2.

4.43 To sum up, we have estimated in Chapter 1 that the credit potential for short-term agriculture in UP by 1981-2 will be on a

conservative basis, of the order of Rs 415 crores. As against this position, the pacs in the state with the financial support from the co-operative banks and the commercial banks/RRBs together will be in a position to meet credit requirements of the order of Rs 342 crores by that year. Besides, at least another Rs 45 crores are likely to be advanced directly by the commercial banks/RRBs to individual cultivators for financing their short term agricultural production by that year. Thus, the total institutional finance for meeting the production credit requirements will be of the order of Rs 387 crores in 1981-2, leaving a credit gap of nearly Rs 28 crores, i.e., 6.7 per cent of the credit potential at Rs 415 crores. This will have to be carried over to the later years and if sustained efforts as proposed by us are continued even after 1981-2, it should be possible for the available institutional sources to meet almost the entire short-term agricultural credit needs in UP in another two years, i.e., by about 1983-4.

## CHAPTER 5

### CANE FINANCING AND CANE UNIONS

5.01 THE pacs in UP, as mentioned in paragraph 4.43 of Chapter 4, with the financial support from the co-operative and the commercial banks/RRBs together are expected to meet by 1981-2 the short-term agricultural production credit requirements of the order of Rs 342 crores as against the estimated credit requirements of Rs 415 crores by that year. Besides, the commercial banks/RRBs are likely to lend directly for the same purpose an additional sum of Rs 35 crores. The estimate of short-term agricultural credit potential includes the requirements of the cane crop and, therefore, the projected level of lendings cannot be achieved, if the financing of cane cultivation is kept out of the purview of the agricultural credit institutions, especially when the outlay on cane cultivation is very large *vis-a-vis* the other crops and as much as 6 per cent of the gross cropped area in the state is under that crop. Moreover, from the view points of the farmer and the prospect of reaching viability quickly for the credit institutions, the existence of one agency at the base level to provide credit for all types of crops and activities allied to agriculture is necessary. Recognizing these important considerations, the concerned authorities in the GOUP, at the suggestion of the RBI, have already accepted that the pacs in the state will undertake financing cane cultivation under the guidance of the co-operative cane unions which regulate cane supply to sugar factories and are responsible for the development of cane crop in their area. What is now necessary is to ensure that the scheme evolved is administratively simple and does not involve procedural delays which can cause inconvenience to the cane growers. This aspect of the matter, which in effect means a fully co-ordinated approach on the part of the credit institutions and the cane unions, has been considered by us in this chapter.

5.02 One of the terms of reference requires us to suggest the manner in which activities of the co-operative cane unions in the state can be closely co-ordinated with those of the pacs, so that

the responsibility for marketing and development of sugarcane is that of the unions, while the provision of production and investment credit for agriculture is undertaken by the pacs. In order to have a first hand knowledge of the situation obtaining in the field in this regard, we had, at our first meeting held in June 1975, decided that officers from the secretariat might visit a few districts in the cane belt of the state to study the position in depth. In pursuance of this decision, the Member-Secretary of the Team assisted by two officers from the secretariat undertook a field study in Gorakhpur and Basti districts from the Eastern region, Lakhimpur-Kheri from the Central region and Muzaffarnagar from the Western region during the period 7 to 18 December 1976. Our observations and recommendations in the paragraphs that follow take due note of the findings of this field study.

#### *Recent developments*

5.03 Since the time a decision was taken to undertake the above study, certain welcome developments which are relevant to the very objective of the field study have taken place. As is commonly known, until recently, there was a multiplicity of agencies at the primary level supplying agricultural production credit in UP. While loans for raising crops other than sugarcane were given by the DCBs through pacs, loans for sugarcane were handled by 134 cane unions functioning in the state. However, at a meeting between representatives of the state (both officials and non-officials) and the RBI held at Nainital in May 1975 to which we have made a reference in the Introduction to this report, it was agreed that cane unions should act as planning and co-ordinating agencies and not provide production and investment credit, leaving that function to the re-organized pacs to be discharged under the guidance of the unions. The latter should, however, continue to stock fertilizers, seeds and pesticides and supply them to cane growers on credit within the overall credit limits sanctioned to them by the pacs. In pursuance of this decision, a scheme was devised for financing sugarcane cultivation throughout the state and the same was conveyed to all concerned in a joint circular issued in August 1975 by the Cane Commissioner and the RCS. The scheme was actually introduced in all the thirty-one cane growing districts in the state from November 1975.

5.04 A question was, however, raised regarding the duration of the crop loans granted for production of sugarcane. The UPCB had pleaded that the period should be 18 months as, although the crop was generally of 12 months duration, another 6 months were required to market the same and realize the cane price. As a way out, the RBI suggested a cash credit system for financing sugarcane cultivation. In order to facilitate the formulation of the procedure that might be adopted for the purpose, a Team of Officers from the RBI's ACD at Bombay undertook a field study in January 1976. The findings of this study were discussed at a meeting held at Lucknow to finalize broadly the cash credit system that would be most suitable for introduction in the state. The important features of the system so finalized were as under:

- (i) A cash credit limit operative from 1 July to 30 June of the following year might be sanctioned to a cane grower by the pacs of his area on the basis of his acreage under cane and the scale of finance fixed by the Cane Department.
- (ii) Cash credit limits might, similarly, be sanctioned by the DCBs to societies and to the banks by the UPCB.
- (iii) The current outstandings on 30 June 1976 might be transferred on 1 July 1976 to the cash credit account after obtaining fresh pronotes maturing on 30 June 1977.
- (iv) The UPCB should execute fresh pronotes in favour of the RBI covering the outstandings against each of the DCBs concerned and maturing on 30 June 1977.
- (v) The demand for the year 1976-7 would be outstandings in the account on 30 September 1976. Any part of this demand remaining not recovered by 30 June 1977 should be treated as overdue at all the levels.
- (vi) Since repayments made into the cash credit accounts up to 30 June 1977 would be reckoned towards the demand for 1976-7, the cash credit limit might be enhanced where necessary, to accommodate the kind component of the scale of finance in respect of the new sugarcane crop. Pronotes for the enhanced amounts may be taken maturing on 30 June 1977.
- (vii) On 30 June 1977 the outstandings in the account less

overdues as determined above be treated as current outstandings and transferred to the next year's cash credit account.

- (viii) Fresh pronotes might be obtained at all levels in July 1977 maturing on 30 June 1978.
- (ix) The above procedure might be followed in the subsequent years.

The question of working out a detailed procedure incorporating the above decisions was, however, left to the concerned authorities in the state government. Accordingly, another joint circular signed by the Cane Commissioner and the RCS was issued in July 1976 to all the DCBs, the ARCS and the District Cane Officers advising them the steps to be taken for introducing a cash credit system for financing sugarcane growers through the pacs in the cane belt. The procedure outlined in this joint circular has since been introduced in all the 31 cane growing districts in UP.

5.05 Thus, one of the main issues referred for our examination, viz., leaving the function of providing production and investment credit for cane cultivation to the re-organized pacs, stands settled to the satisfaction of all concerned and we welcome this development. The scope of our work, therefore, has been narrowed down to the examination of the following aspects.

- (i) How far the new cash credit system has helped serve the purpose for which the system was designed, viz.,
  - (a) whether a cane grower is able to obtain credit for raising all types of crops from one single point, (b) whether the new system helps to do away with dual financing, thereby denying the defaulter of one institution the opportunity to obtain fresh credit from another and (c) whether the new system has improved the chances of reaching viability quickly for the re-organized pacs;
- (ii) whether any improvements are necessary in the cash credit system that is presently in operation; and
- (iii) what useful role can be played by the cane unions in the field of cane development and marketing and processing of sugarcane produced.



Consequently, the officers entrusted with the field study referred to earlier were asked to look into the above aspects also.

*Cash credit system*

5.06 In the light of the changed context as explained above, the procedure that is in vogue in financing sugarcane cultivation is given below:

- (i) On the basis of the acreage under sugarcane of cane growers in the area, the Ganna Gram Sevak (ggs), i.e., the village level worker of the Cane Department/ unions prepares in triplicate a credit limit statement to decide the credit limit of each cane grower. The scale of finance agreed to for the purpose by the Cane and Co-operation Departments is Rs 700 (Rs 600 in kind and Rs 100 in cash) per acre. Since the area allotted by the Cane Department to a ggs is not coterminus with the area of operation of a re-organized pacs, he prepares separate statements not only society-wise, but also for each village in the area of every society.
- (ii) All the three copies of the credit limit statements so prepared are forwarded to the concerned cane union for scrutiny. After recording its recommendations and undertaking to recover the dues out of the cane price, the union forwards the statements to the concerned pacs through the DCB. The pacs, after its scrutiny, returns the statements to the DCB with a resolution of its managing committee recommending the limits for sanction.
- (iii) The statements so returned by the pacs are scrutinised and considered by the DCB which sends a copy each thereof after recording its sanction to the concerned cane union and pacs.
- (iv) On receipt of a copy of the sanctioned statement from the DCB, the union forwards the same to the concerned ggs who communicates the same to the cane growers in his area.
- (v) As per the joint circular dated 2 July 1976, all these

formalities are expected to be completed by 31 August, in respect of credit limits for that particular co-operative year. Further, the credit limits so sanctioned are valid for the subsequent two co-operative years unless there is increase or decrease in the acreage under cane of a grower.

- (vi) Simultaneously, every pacs is required to send a resolution of its managing committee to the union authorising it to disburse, on its behalf, loans to the extent of the sanctioned limits.
- (vii) Once the limit is sanctioned, a grower has to approach the ggs for availing of credit to the extent of his needs. In so far as cash loan is concerned, the grower is expected to approach the pacs of his area direct.
- (viii) On receipt of demand for drawal of finance in kind under the sanctioned limit from a grower, the ggs obtains from him a demand-cum-acknowledgement-slip-cum-agreement-cum-pronote (in duplicate) in the prescribed form for the amount of loan demanded with signatures of two sureties. No member is allowed to stand surety for more than two borrowers.
- (ix) After the above formality is completed, the ggs prepares a stock issue slip in triplicate and hands over two copies thereof to the grower who obtains his requirement of fertilizers, seeds, etc., to the extent of amount mentioned therein from the nearest sale point of the union. At the sale point one copy of the stock issue slip is returned to the grower for his record.
- (x) The ggs makes a society/village-wise list of loans disbursed in triplicate and forwards the same to the union with two copies of the agreement-cum-pronote, etc., obtained by him as indicated in item (viii) above. By about the same time, the sale point of the union forwards to it a grower-wise list of fertilizers, etc., distributed.
- (xi) At the head office of the union, verification of disbursement of loans to growers in kind is carried out on the basis of records received from the ggs on the one hand and the sale point on the other.
- (xii) After this verification is done, the union forwards to

the DCB two copies of disbursement lists along with a copy of the agreement-cum-pronote, etc., executed by each grower. The receipt of these papers is deemed an application for recoupment of the loans disbursed in kind, from the union to the concerned DCB.

- (xiii) The papers received as at item (xii) above are forwarded by the DCB to the concerned branch where scrutiny thereof is carried out with the help of the secretary or accountant of the concerned pacs.
- (xiv) The branch of the DCB debits the loan account of the pacs with the aggregate amount of the disbursements found in order by affording an equivalent credit to the union. On the same date the pacs debits in its books the loan accounts of the individual growers.
- (xv) At the time of preparation of stock issue slip, i.e., allowing disbursement of loan in kind, the ggs is expected to ensure that (a) the grower at least holds one share of pacs (b) if not, he pays the value of one share of the pacs which is transferred to the concerned pacs through the DCB, (c) the grower is not a defaulter either of the union or the pacs and (d) he has executed an undertaking authorising the union to deduct from the cane price payable to him, in three equal annual instalments, an amount equivalent to the extent of the shortfall in his shareholdings of the primary society required to fulfil the ratio of 1 : 8 between his shareholding in the credit society and borrowings from it.
- (xvi) One exception in regard to default to the pacs has, however, been made. As advised by the Co-operation Department, a defaulter of the pacs can be accommodated under the new cash credit system, if he gives an undertaking, and, in turn, the concerned union agrees, to recover the default to the pacs from the cane price payable to the defaulter during the ensuing crushing season.
- (xvii) In respect of all applications for recoupment which are in order and which remain unpaid for more than 10 days the DCB pays interest at 15 per cent per annum. Simultaneously, within this stipulated time,

the DCB is expected to return to the union all agreements-cum-pronotes for which recoupment is not given assigning reasons for rejecting the demanded recoupment.

- (xviii) All disbursements for which recoupment of funds is refused by the DCB, are deemed as loans out of the cane union's own resources for which they have to obtain fresh documents from the concerned canegrowers.

5.07 For the recovery of loans disbursed in pursuance of the procedure outlined above, the joint circular issued in July 1976 has prescribed the following steps:

- (i) The outstandings under the cash credit limit of an individual grower as on 30 September should be reckoned as demand to be recovered during the ensuing crushing season and the same or any part thereof remaining unrecovered after 31 May of the following year should be deemed as overdue. In accordance with this requirement, a grower who is deemed a defaulter should not be allowed renewal of cash credit limit for the next co-operative year until the overdue demand is liquidated by him.
- (ii) On the basis indicated above, every primary credit society is to prepare a grower-wise demand list in respect of sugarcane crop loan and furnish the same in the first week of October to the cane union which has recommended it.
- (iii) The cane union on its part should make, from time to time, recoveries from the cane payments due to the growers appearing in the demand list until the entire demand against a grower stands recovered.
- (iv) The recoveries made as above should be transferred by the union to the DCB for the credit of the account of the concerned pacs. Simultaneously, a list in duplicate containing grower-wise break-up of recoveries effected should be made available by the cane union to the DCB and the latter should make available a copy thereof to the concerned primary credit society

which should adjust the loan accounts of the individual growers.

- (v) The cane union will have to pay interest at 15 per cent per annum to the concerned pacs on the amounts of all such recoveries not transferred within 10 days from the date of recovery through the cane price, for credit of the primary society's account with the DCB.
- (vi) Action for recovery of overdue demand under the provisions of the State Co-operative Societies Act against all growers who incur defaults, i.e., whose dues in full or part cannot be recovered from the cane payments for one reason or the other, should be instituted by the cane unions by approaching the concerned District Cane Officer. This is because the administration of the above State Act in relation to the cane unions has been entrusted to the Cane Department.

### *Operational problems*

5.08 While we concede that for ensuring development of cane which involves not merely the supply of adequate credit, but also extension of the right type of inputs, technical guidance and the removal of infrastructural bottlenecks in the orderly marketing of cane produced, it is necessary to maintain the organic link of the cane growers with the respective cane unions which have a record of good work of over 20 years, we also note that the new procedure for financing cane cultivation has led to a number of operational problems as explained in the paragraphs that follow.

5.09 The new system does not seem to have given sufficient attention to the convenience of a cane grower inasmuch as, he has to approach two organizations for meeting his requirements of credit and inputs, viz., the cane union for sugarcane and the pacs of his area for all other crops and for the cash component of the scale of finance for sugarcane. This has been so despite the fact

that the same types of fertilizers are used by him for the bassel as well as top dressing of all his crops including sugarcane.

5.10 The responsibility of preparing credit limit statements, getting them sanctioned, preparing loan documents, stock issue slips, etc., demanding and ensuring recoupment of funds is on the unions, which continue to engage almost the same complement of staff for the purpose as they used to, when the credit business was handled by them on their own account. As against this position, the unions are now entitled to a commission of 0.75 per cent only on the amount of sugarcane crop loans recovered by them for the DCB/pacs. Their demand is, therefore, for an enhanced rate of commission which if allowed would adversely affect the earning capacity and in turn the prospects of reaching viability quickly for the re-organized pacs in the cane belt, unless the burden thereof is passed on to the canegrower in the form of a higher rate of interest. This will not be fair to the canegrower and will also be resented by him.

5.11 The unions, by and large, have in practice not recommended sanction of the cash component of the scale and cane growers, therefore, have been denied cash loan for sugarcane cultivation. Reportedly the RCS has recently advised the DCBs/pacs to allow a cash loan of Rs 300 per acre. But the recovery thereof may pose problems, as the unions might not be willing to recover the same out of cane price, as that portion of the finance had not their prior approval.

5.12 The loans in kind are first disbursed at the sale points of the unions which seek recoupment thereagainst from the DCB later. The loan account of the pacs in the books of the DCB and that of individual growers in the books of the former are opened on the date on which the recoupment is allowed. The union, on the other hand, is entitled to the entire interest at 14 per cent per annum (since reduced to 13 per cent) for the period between the date of advancement and the date of recoupment. Thus, the credit business and the return on it remain with the cane union until it seeks, and is actually allowed, recoupment of funds. In-

ordinate delay in this regard would adversely affect the income of the DCB/pacs, as it would amount to the cane union transacting their legitimate business during the period. Besides, a cane union accommodating certain borrowers on its own account by not demanding recoupment of funds from the DCB in respect of advances made by it to these growers cannot be ruled out. In that situation the union will assume the role of a credit agency. The position in this regard in respect of the eight cane unions covered by the field study is given in Table 1.

TABLE 1

Rs Lakhs				
Union	Position up to the end of	Loans disbursed by the union	Recoupment demanded by the union	Recoupment of funds allowed by the DCB
(1)	(2)	(3)	(4)	(5)
<i>Gorakhpur</i>				
Pipraich	October 1976	13.11	12.24	7.55
Siswa-Bazar	November 1976	17.03	17.03	11.95
<i>Basti</i>				
Munderwa	October 1976	9.32	8.65	7.18
Basti	November 1976	14.78	9.42	9.42
<i>Lakhimpur-Kheri</i>				
Gola-Gokarnnath	October 1976	43.25	43.25	23.09
Lakhimpur-Kheri	November 1976	7.20	5.04	4.92
<i>Muzaffarnagar</i>				
Shamali	October 1976	66.97	65.38	63.00
Khatauli	November 1976	45.08	39.94	39.20
<b>Total</b>		<b>216.74</b>	<b>200.95</b>	<b>166.31</b>

Barring the unions at Siswa-Bazar and Gola-Gokarnnath, the others had not demanded recoupment for the full amount of loans disbursed in kind at their sale points. Similarly, with the exception of the cane union at Basti, the respective DCBs had not allowed recoupment to the full extent of the amount demanded by the unions. The reasons for delay in sanction or rejection of recoupment demanded have been as under:

- (i) recoupment demanded in respect of growers who have not been enrolled as members of the pacs;
- (ii) loans disbursed to growers who have not been sanctioned a credit limit, i.e., whose names do not appear in the sanctioned credit limit statements; and
- (iii) loans advanced to growers in excess of the credit limits sanctioned to them.

5.13 Further, a number of procedural difficulties are being encountered. For instance, the jurisdiction of a ggs is not coterminus with that of a *nyaya panchayat* level re-organized credit society. He is, therefore, required to prepare separate credit limit statements for each society operating in his area and deal with more than one institution. In practice, the flow of credit limit statements from him has been in dribblets, because not only such statements are being prepared village-wise, but also the cane growers, as per their old habit, approach the ggs only when they require seed, fertilizer, etc., on credit. In fact, the general complaint that the supply of credit under the new system involves inordinate delay arises because, in many cases, the whole process of securing sanction of credit limit starts at the time the grower actually needs credit. Secondly, the area of operation of some cane unions is not confined to one district and hence they are required to correspond with more than one central financing agencies for seeking recoupment of funds, as may be seen from the data given in Table 2 for the sake of illustration.



TABLE 2

Union	No. of re-organized pacs in the area of the union	No. of banks financing the pacs in col. (2)	No. of branches of the banks in col. (3) dealing with pacs in col. (2)
(1)	(2)	(3)	(4)
<i>Gorakhpur</i> Pipraich	40	In all five, viz., DCBs for Gorakhpur and Deoria, SBI & two regional rural banks (RRBs)	11
Siswa-Bazar	31	DCBs for Deoria and Gorakhpur	5
<i>Lakhimpur-Kheri</i> Gola-Gokarnnath	60	DCBs for Lakhimpur-Kheri and Shahjahanpur	6
<i>Muzaffarnagar</i> Khatauli	23	DCBs for Muzaffarnagar and Meerut	5

The task of seeking recoupment, ensuring compliance whenever objections are raised and reconciling the figure of demand for recoupment with the amount actually recouped, has already become quite onerous, because the formalities accompanying disbursement of credit are required to be completed by the cane union which is not the lender of funds and has, therefore, to correspond with a number of branches of the lender institutions for rectifying the deficiencies that are noticed by the latter. The problem of reconciliation may assume far greater proportions with the increase in disbursements under the cash credit system.

5.14 Another irritant aspect relates to the compliance with the condition of maintaining the prescribed linking between the share capital held in pacs and borrowings from it. Under their own bye-laws, the cane unions were allowing credit to the extent of 50 times the shareholdings of the concerned cane grower in the union. As against this position, a linking of 1 : 8 which is in vogue in the pacs, is now insisted. Besides, although the facility of making

good the short-fall in three annual instalments has been extended, cane growers feel that their shareholdings in the union of their area have become infructuous. Incidentally, the facility of the three-year period for maintaining the prescribed linking by the pacs in respect of their borrowings for financing sugarcane cultivation from the DCB of their area, has been granted to the pacs by the RCS only recently in terms of his circular dated 29 November 1976. Finding sureties is also reportedly posing problem because of the restriction that, no grower-member can stand surety for more than two borrowers. Besides, financing of defaulters is still prevalent, inasmuch as defaulters of cane unions in respect of finance made available by them continue to be financed by the pacs for loans for crops other than sugarcane, as may be seen from a few instances given in Table 3.

TABLE 3

Name of the member	Default to the cane union as on 30.6.76	Advance by the pacs	
		Date	Amount
	Rs		Rs
<b>Basti</b>			
(a) <i>Munderwa LSS</i>			
(i) Shri Balikaran, son of Vasdev	299.10	10.8.76	480.00
(ii) Shri Bindravan, son of Triveni	71.01	20.7.76 30.7.76	200.00 200.00 (kind loan)
(iii) Shri Madhav Saha, son of Shamkaran	182.06	5.7.76	320.00
(iv) Smt. Musama Sugana, wife of Govind	255.65	27.10.76	400.00
(b) <i>Pandey Bazar LSS</i>			
(i) Shri Ram Lot Gangasaran	51.88	28.6.76	182.00
(ii) Shri Ferayi, son of Sitaram	706.63	29.6.76	182.00
(iii) Shri Parasnath, son of Padarat	3962.33	16.6.76	2311.00

5.15 It is also feared that a number of complications will arise in the field of recovery. Firstly, all disbursements made before 30 September are reckoned as demand to be recovered before the close of the co-operative year, i.e., the following June. The pacs will have, therefore, to go by the date of the original advance by the union in each case which may not be readily available as individual loan accounts in their books are opened on the dates of recoupment. Besides, they have to add the demand in respect of their previous overdues and instalment towards making good the short-fall in shareholdings, if any. On receipt of the demand lists from the pacs, the unions will have to add their own demand in respect of interest for the period from the date of advance to the date of recoupment. This has proved to be an uphill task as the date of recoupment in each case is not readily available with the unions. The result has been as under:

- (i) There is general complaint about delay in the receipt of demand lists from the pacs e.g., the Pipraich cane union in Gorakhpur district had withheld cane price payments for the above reason.
- (ii) The cane union at Basti felt that demands in respect of loans for other crops had been included by the pacs. The DCB Basti disputed this statement and stated that the said demand related to the recovery of previous overdues and/or the first instalments towards making good the short-fall in the shareholdings of the credit society.
- (iii) Even in cases where the demand lists to the satisfaction of the unions had been received, the unions have found it difficult to calculate their portion of demand in respect of the interest for the period from the date of advance to the date of recoupment.

5.16 While it is possible to overcome the above difficulties by taking suitable procedural corrective steps, it may not be possible to reduce the workload on the pacs as also the unions. Besides, in the matter of recovery of defaulted dues which are not recovered out of cane payments, the DCBs/pacs will have to depend on the cane union as the action therefor is to be taken by it in terms of the joint circular issued in July 1976. It may be noted in this

connexion that the unions have, as a matter of practice, not launched so far any drive for the recovery of defaulted amounts, except for action to file arbitration cases with the District Cane Officer for the purpose. Wherever the factories have been in arrears in the payment of cane price, the recovery position of the unions has not been satisfactory. The procedure prescribed in the joint circular may, therefore, seriously affect the recovery of the pacs and, in turn, the DCBs. This is a matter of serious consequence especially when every canegrower is entitled to sugarcane crop loan for his entire acreage under the cane whereas, on an average, he is able to route only about one-third of his cane production through the union for supply to the factory, because of the prevalence of the quota system explained later. This would mean that the cane price may not be adequate to cover the amount of loan taken by the canegrower resulting into short-falls in the recovery and consequential defaults. The gravity of the problem can be assessed from the recovery performance as on 30 June 1976 of the unions covered by the field study in respect of their own loans issued before the introduction of the new cash credit system, which is given in Table 4.

TABLE 4

Rs Lakhs					
Union	Loans outstanding		Loans overdue		Remarks
	No. of indebted members	Amount	No. of default- ters	Amount	
	(1)	(2)	(3)	(4)	
<i>Gorakhpur</i>					
Pipraich	N.A.	4.46	N.A.	3.32	Position exists despite the fact that there are no arrears in payment of cane price by the sugar factory.
Siswa-Bazar	N.A.	12.87	N.A.	9.93	Nil

TABLE 4 (Contd.)

	(1)	(2)	(3)	(4)	(5)
<i>Basti</i>					
Munderwa	8645	9.29	5973	6.94	Defaults mainly due to arrears in the cane price payment by the factory to the extent of Rs 16.34 lakhs.
Basti	22125	11.79	10749	9.80	Position exists despite no arrears in payment of cane price by the factory.
<i>Lakhimpur-Kheri</i>					
Gola-Gokarnnath	N.A.	33.23	N.A.	28.12	Position exists despite no arrears in payment of cane price by the factory.
Lakhimpur-Kheri	8481	14.66	4247	9.37	Defaults mainly due to arrears in the cane price payment by the factory to the extent of Rs 10.25 lakhs.
<i>Muzaffarnagar</i>					
Shamali	N.A.	23.53	N.A.	4.68	Nil
Khatauli	6240	12.39	1648	3.24	Nil

In view of this situation, we suggest that the recovery of defaulted loans may not be entrusted exclusively to the cane unions, when the concerned defaulters are actually in default not to the union but to the pacs of their area.

#### *Recommended solutions*

5.17 In the light of the observations contained in paragraphs 5.08 to 5.16 above, it is evident that the procedure adopted in the cash credit system for financing cane cultivation in the state, is cumbersome and inconvenient to the farmer, inasmuch as it has

resulted in increasing paper work and in turn the overheads for the DCBs/pacs and the cane unions on the one hand and irksome delays in the receipt of credit for the canegrowers on the other hand. What is necessary is to ensure that, while the close link of the canegrowers with their respective unions is not broken, the procedure is simplified, the overheads for the institutions reduced and timely supply of credit to the canegrowers ensured. Most of the difficulties can be surmounted, if the disbursement of credit by the unions and recoupment of funds to them take place on one and the same day and the necessity of dealing with more than one institution for the operational staff is done away with. Towards these ends, we recommend as under:

- (i) The jurisdictions of the ggs may be altered to ensure that one or more ggs, as the circumstances warrant, serve the entire area of a re-organized pacs to facilitate preparation of separate credit limit statement for sugar-cane crop for each such society to be submitted in triplicate to the concerned union. The credit limit statement should be approved by the union and recommended for sanction to the concerned DCB/pacs. For this purpose it is also necessary to ensure that as far as possible the area of operation of a re-organized credit society is not divided between the areas of more than one union.
- (ii) Once the credit limit statement is sanctioned by all concerned, a copy each thereof can be retained by the cane union, the branch of the DCB and the concerned pacs.
- (iii) All DCBs should open their branches in the premises of each union in their area and the unions in turn may afford necessary facilities to the DCBs for the purpose.
- (iv) When the canegrower desires to avail of credit under the limit sanctioned as above, he may approach the ggs of his area who should recommend his case for disbursement of finance to the branch of the DCB in the union through the head office of the union.
- (v) The DCB branch on the basis of authorization and as agent of the concerned pacs, can issue to the grower two cheques through the union, one in his favour on

the DCB representing the cash component and the other in favour of the union for supply of fertilizers, seeds, etc., from its sale point.

- (vi) The loan account of the individual grower in the books of the pacs and of the latter in the books of the DCB can be debited on the date on which the cheques are presented for payment.

On adoption of this procedure, the clerical work involved for the cane unions and credit institutions will be curtailed and the difficulties experienced in seeking recoupment of funds, reconciliation of the accounts and preparation of demand lists would be removed.

5.18 To sum up, the solutions suggested above can be adopted without any difficulty to the best advantage of all concerned and may be given careful consideration. In addition, certain procedural aspects merit reconsideration by the concerned authorities in the Co-operation and Cane Departments. These are enumerated below:

- (i) All unions may be advised to recommend and undertake to recover the cash portion of the mutually agreed per acre scale of finance for cane cultivation.
- (ii) The restriction that a member of pacs cannot stand surety for more than two borrowers may be suitably relaxed by imposing a ceiling in terms of amount on the indirect liability of a member which should be equal to his direct liability.
- (iii) The unions may supply a list of their defaulters to the pacs in their area and the pacs in turn be advised to ensure that no fresh finance even for crops other than sugarcane is given to such defaulters.
- (iv) The ratio of linking between shareholdings of a member with his borrowings from the pacs of his area may be relaxed to 1:20 in the case of small/marginal farmers and 1:10 in the case of other farmers. Suitable relaxation will have to be considered simultaneously, in so far as the shareholdings of the pacs with the DCB are concerned.

*Distribution of fertilizers*

5.19 There will still continue to be duplication in so far as distribution of fertilizers is concerned. At present, a canegrower lifts stocks of fertilizers against the kind portion of the credit limit for sugarcane from the sale point of the union, while fertilizers representing the kind component of the loans for other crops are obtained by him from the sale depots of the Provincial Co-operative Federation (PCF). As stated earlier in paragraph 5.09 above, the same kind of fertilizers are used by him for all types of crops and further are used almost at the same time as may be seen from the calendar for the use of fertilizers given in Table 5.

TABLE 5

Month	Sugarcane	Wheat	Paddy
May	U-TD of Autumn crop	—	NPK-BD
June	—do—	—	—do—
July	—do—	—	U-TD
August	—	—	—do—
September	—	—	—do—
October	NPK or U-BD of Autumn crop and TD of Spring crop	NPK-BD	—
November	U-TD of Spring crop	—do—	—
December	—	U-TD	—
January	—	—do—	—
February	NPK or U-BD of Spring crop	—do—	—
March	—do—	—	—
April	NPK or U-BD of Spring crop and TD of Autumn crop	—	—

- NB: (i) NPK—NPK variety of fertilizers.  
(ii) U—Urea.  
(iii) BD—Bassel dressing.  
(iv) TD—Top dressing.  
(v) The dose of BD is double the dose of TD in quantity.

This being the position, it would be most convenient for the canegrower, who invariably cultivates other crops, to lift fertilizers from the nearest sale point, whether of the union or the PCF, irrespective of the fact whether the fertilizers are required for sugarcane or other crops. This is so because the sale point of the PCF or the union may not necessarily be in close proximity for a



cultivator *vis-a-vis* the sale point of the union or the PCF as can be seen from the particulars about the sale points of some of the unions covered by the field study given in Table 6.

TABLE 6

Union	No. of sale points	No. of villages served	Distance of the farthest village from the head- quarters (approx- imately)	Maximum distance of a village from the nearest sale point
			kms	kms
<i>Gorakhpur</i>				
Siswa-Bazar	8	318	35	8
<i>Basti</i>				
Munderwa	4 (2 dormant)	618	30	22
Basti	26	1418	40	10
<i>Lakhimpur-Kheri</i>				
Lakhimpur-Kheri	7	166	20	5
<i>Muzaffarnagar</i>				
Shamali	13	308	35	6
Khatauli	3	130	22	9

The aspect of a farmer's convenience has already been given due weightage by the Lakhimpur-Kheri DCB which has introduced the system of issuing cheques representing the kind portion of the loans for crops other than sugarcane in favour of a cane union in the district, if the concerned borrower desires to lift fertilizers from the sale point of the union on account of its proximity to him. There is no reason why this example cannot be emulated in other districts. In order to avoid duplication and ensure that the existing infrastructure is put to the best advantage of cultivators in the cane belt, we suggest that the Co-operation and Cane Departments, in consultation with the Cane Unions' Federation and the PCF, may allocate the villages in the cane districts among the

sale points of the cane unions and the PCF which may be known as the 'composite input distribution centres', so as to ensure that cultivators in the 31 cane districts are in a position to obtain all their requirements of fertilizers from one single point, which is the most convenient and the closest to them. Implementation of this suggestion is not likely to result in curtailment of business for either of the two agencies. However, this aspect can be taken care of while allocating villages among the different sale points of the two agencies for distribution of fertilizers.

*Progress in financing*

5.20 Despite the difficulties that have been encountered, there has been, by and large, general increase in the issue of short-term loans for sugarcane cultivation after the introduction of the cash credit system, as may be seen from the data in respect of unions covered by the field visits given in Table 7.

TABLE 7

Union	Rs Lakhs		
	Short-term loans issued for sugarcane cultivation in		
	1973-4	1974-5	1975-6*
	(1)	(2)	(3)
<i>Gorakhpur</i>			
Pipraich	8.25	3.64	12.90
Siswa-Bazar	4.28	5.34	11.71
<i>Basti</i>			
Munderwa	5.99	5.28	8.92
Basti	6.34	4.65	7.70
<i>Lakhimpur-Kheri</i>			
Gola-Gokarnnath	26.71	53.66	29.99
Lakhimpur-Kheri	8.75	20.40	0.09
<i>Muzaffarnagar</i>			
Shamali	16.45	41.45	32.07
Khatauli	12.50	25.72	55.13

\* This position obtains despite the fact that cash loans have not been disbursed.

This position for the state as a whole as at the end of October 1976 is given district-wise in Annexure 32 and is summarised in Table 8.

TABLE 8

	Particulars	No. of growers (lakhs)	Amount (Rs crores)
1	Cash credit limit sanctioned by the DCBs/pacs through the unions	6.11	66.82
2	Total demand for recoupment made by the unions with the DCBs/pacs	N.A.	12.35
3	Total recoupment allowed by the DCBs/pacs to the unions	N.A.	11.71
4	Total reimbursement finance issued by the UPCB to the DCBs (Not from the annexure)	—	7.44*

\* The lending target under the scheme for the year 1976-7 has been fixed by the Cane Commissioner at Rs 40 crores as against which the RBI has sanctioned an aggregate additional limit of Rs 16.62 crores which has been included in the overall short-term limits for the year 1976-7.

The short-fall between sanction and disbursement can be attributed to the following:

- (i) On an average, one-third of the canegrowers have been availing of credit facilities from the cane unions, although all of them are enrolled as members for supplying cane to the sugar factories.
- (ii) Of the above, many are ineligible for fresh credit because of their defaults in respect of their previous borrowings from the union and/or the pacs.
- (iii) A number of canegrowers who have been sanctioned credit limits have yet to enrol themselves as members of the pacs.
- (iv) Loans in cash have so far been denied to canegrowers for the sugarcane crop.
- (v) Additional disbursement is expected during the ensuing spring plantation.

With the simplification of the procedure suggested by us in the earlier paragraphs for ensuring the maximum benefit to the cane-grower, more and more growers would come forward to avail of the credit facilities for improving their cane crop. The target of Rs 40 crores for disbursement of finance under the new scheme in 1976-7, fixed by the Cane Commissioner should not, therefore, be difficult of achievement. Besides, the business so mobilized will go a long way in improving the prospects of viability for the re-organized pacs in the cane growing districts of the state.

### *Role of cane unions*

5.21 The cane unions have come to be organized in the wake of control of the private sector over the sugar factories in the state, with the basic objectives of: (i) regulating the supply of sugarcane of member growers to sugar factories, (ii) securing correct weighment and fair price to the cane growers, (iii) popularising improved methods of cane cultivation and (iv) improving infrastructural facilities in their area. With the monopoly rights of cane supply to sugar factories and active assistance from the Cane Department, the cane unions in UP have undoubtedly played an important role, particularly in the field of improving infrastructural facilities in the cane growing areas and promoting the development of cane cultivation. Without belittling their utility as organizations of growers themselves for regulating cane supply to factories, safeguarding the interests of growers, planning the development of sugarcane areas and linking credit with marketing, it is felt that the unions can be of still greater service to canegrowers in the state, if they are in a position to devote some attention to the following aspects, if not immediately, at least as the long-term objective:

- (i) Arranging for harvesting and transportation of sugarcane of the member growers, mainly with a view to minimising expenditure thereon incurred by each individual grower and in turn increasing his net return.
- (ii) Evolving a calendar of planting of sugarcane by registered growers so as to maintain a continuous supply of matured sugarcane to the factory of the area throughout the crushing season of the following co-operative

year. This may help the factories to achieve a higher percentage of recovery and enable them to pay better cane price to growers.

- (iii) Entering the field of processing of sugarcane so as to provide organized marketing facilities for the excess cane of member growers.

5.22 The utmost necessity for the cane unions in the state to expand their activities on the lines outlined above, can be best appreciated, if a brief account of the present arrangements for regulating the supply of sugarcane to the factories is given. Unlike the position obtaining in the cane growing areas in the southern parts of the country, UP is a state where the production of sugarcane is well above the installed crushing capacity of the sugar factories. For instance, as against the total sugarcane production of about 500 lakh tonnes in the areas reserved for sugar factories in the state in 1975-6, the installed optimum crushing capacity of the factories for a season was about 175 lakh tonnes and the quantity of cane actually crushed by them in 1975-6 was of the order of 122 lakh tonnes. The regulation of supply of sugarcane of an individual grower to the factory of his area has been, therefore, on the basis of what is known as the basic quota fixed for each grower in pursuance of the procedure prescribed in this behalf by the Cane Department.

5.23 From the current year, i.e., 1976-7, the Department has decided to fix permanent quotas for the cane growers who are required to supply their cane to the factories through the cane union of their area. The procedure prescribed for the purpose is as under:

- (i) The area reserved for cane supply for each factory is divided into two parts, viz., the one restricted to 10 miles radius from the gate of the factory in which special attention for intensive cane cultivation is being given since the last two years and is, therefore, known as the 'Intensive cane cultivation project area' or merely the 'Project area' and the remaining part of the reserved area which is known as the 'Outside area'.

- (ii) The total quantity of cane required by each factory for optimum crushing throughout the season is arrived at by multiplying its daily crushing capacity by 180 days in the case of factories from the Western and Central regions and 120 days in the case of factories from the Eastern region.
- (iii) The average total quantity of cane supplied to the factory during the three years 1973-4 to 1975-6 from the 'Outside area' is deemed as the quota of the 'Outside area' for cane supply to the factory. The quota of the 'Project area' is arrived at by deducting from the optimum cane requirements of the factory, the quota of the 'Outside area'. This is known as the bonding of cane for the 'Project' and 'Outside' areas.
- (iv) Once this is done, the average of the total acreage under sugarcane crop during the three years 1973-4 to 1975-6 is arrived at separately for the 'Project' and 'Outside' areas.
- (v) The quantity of bonded cane divided by the average total acreage under sugarcane gives the average per acre cane supply for crushing to the factory separately for the 'Project' and 'Outside' areas. The average per acre cane supply so arrived at is known as the per acre 'satta'. The per acre 'satta' for the 'Project' area is obviously higher than the one for the 'Outside' area.
- (vi) The permanent quota for cane supply to the factory of the area of a member grower is arrived at by multiplying his average acreage under sugarcane crop during the three years 1973-4 to 1975-6 by the applicable per acre 'satta' depending on whether the grower belongs to the 'Project' or 'Outside' area. The quota so fixed for a grower member is known as his 'satta'.

The procedure prescribed above can be best explained through an illustration given in Table 9.

TABLE 9

(i) Assumed optimum crushing capacity of the factory for the season	30 lakh quintals
(ii) Assumed average total cane supply from the 'Outside' area during the last 3 years	5 lakh quintals
(iii) Bonding of cane for 'Outside' area [same as (ii) above]	5 lakh quintals
(iv) Bonding of cane for the 'Project' area [(i) — (iii)]	25 lakh quintals
(v) Assumed average total acreage under sugarcane in the 'Outside' area during the last 3 years	10,000 acres
(vi) Assumed average total acreage under sugarcane during the last three years in the 'Project' area	25,000 acres
(vii) Per acre 'satta' for the 'Outside' area [(iii) $\div$ (v)]	50 quintals
(viii) Per acre 'satta' for the 'Project' area [(iv) $\div$ (vi)]	100 quintals

Thus in the case of a canegrower with average area under sugarcane during the last 3 years of 2 acres, the permanent quota will be 100 quintals ( $2 \times 50$ ) if he belongs to the 'Outside' area and 200 quintals ( $2 \times 100$ ) if he belongs to the 'Project' area. Failure of a grower to supply cane to the extent of his permanent quota would, however, result in a corresponding reduction of his permanent quota. It may be pertinent to note that even in the case of co-operative sugar factories, the authorization for a member grower to supply cane to the factory of his area is on the basis of his permanent quota fixed as per the procedure detailed above and the same has no relation with the amount of his share capital in the factory.

5.24 The actual supply of cane for crushing to the factories under the permanent quotas fixed is regulated by means of issue of *parchis*. A *parchi* is an authorization for supply of one cart load of cane (about 15 quintals of sugarcane) to the factory either at its gate or at its cane purchase centre. The procedure for the distribution of *parchis* has been designed to ensure justice to all the member growers. For obvious reasons, every grower is interested in supplying his cane to the factory of his area as early as possible. In order to avoid scramble for cane supply and the

resultant favouritism, the following procedure is followed for distribution of the *parchis*:

- (i) The quantity of cane required by the factory during each fortnight is worked out by dividing its optimum crushing capacity for the season by 10 to 12 fortnights depending on whether the factory is expected to work for 5 or 6 months.
- (ii) The fortnightly demand so arrived is equitably distributed among its member growers by the cane union.
- (iii) Thus, for a factory with a crushing capacity of 15 lakh quintals for a season of 10 fortnights, the fortnightly requirements of cane work out to 1.50 lakh quintals which is equivalent to about 10,000 cart loads or *parchis*. If the cane union serving the factory has 20,000 members, two fortnights will be required to supply the first *parchi* to each and every member grower. The same process continues thereafter. A member is not entitled for a *parchi* once his quota for supply is exhausted.
- (iv) While distributing *parchis*, however, priority is expected to be given for ratoon as also the early maturing variety of cane so as to ensure that the supply of such types of cane is arranged before 31 December.
- (v) Similarly, priority is given for distribution of *parchis* to small growers whose permanent quota in each case is 40 quintals or less in the Western and Central regions and 25 quintals or less in the Eastern region.

5.25 The procedure evolved for regulation of supply of sugarcane to the factories, which is explained in paragraphs 5.22 to 5.24 above, suffers from some intrinsic inadequacies given below:

- (i) The supply of sugarcane to the factory is in dribblets not only in the case of medium and large growers, but also in the case of small growers with one acre of cane. This multiplies the number of visits of a grower to the factory or its centre for handing over cane and to the cane union for receiving cane payments for which purpose he has to incur extra expenditure. It is estimated



that on an average 25 per cent of the ex-gate cane price fixed by the Cane Commissioner is spent by a grower on the harvesting and transportation of cane.

- (ii) Since cane is tendered in dribblets, a grower receives payments also in instalments. Consequently, his loan account is adjusted in instalments, thereby prolonging the period of outstanding balance and increasing the burden of interest thereon for him.
- (iii) The entire harvesting operations are spread over for about five to six months even in respect of an individual grower. His field with the cane crop is, therefore, vacated in instalments thereby denying him the opportunity to cultivate another crop on the concerned plot of land.
- (iv) The flow of cane to the factory is also spread over irrespective of the maturity of the crop thereby adversely affecting the percentage of recovery of sugar and consequently sugar production. Apart from the resultant national loss, this involves loss of income for individual growers as cane price is fixed in relation to the average percentage of recovery of sugar.
- (v) Once the *parchis* are distributed, the cane union has no arrangement to ensure that the cane supply against a *parchi* is from the field of the grower to whom the *parchi* is issued. This is because on production of the pass book of the concerned grower, anybody can tender cane as also receive cane payment thereagainst. This practice, therefore, gives room for the unauthorized sale of *parchis*.

5.26 The fact that sugar is produced in the fields and, therefore, it is necessary to ensure the supply of cane of optimum maturity to the factory, has been recognized by the concerned authorities, who are also aware that the existing procedure for regulation of cane supply is not foolproof in this respect. The Cane Department in collaboration with the National Sugar Institute, Kanpur, have, therefore, launched a project for ensuring maturity-wise cane supply (on the basis of pre-maturity surveys) in certain select areas from the reserved areas of 28 out of 77 sugar factories in the state. Under this project samples of cane from the select areas are tested to find out sugar content or the maturity of the crop.

If the crop has matured to the required level, *parchis* on a priority basis are issued for the supply of cane to the factory. If, however, excess cane than necessary has matured in the area selected, the distribution of *parchis* here again is on the basis of the principle of equity explained earlier. In view of this position the benefits of the project cannot accrue to an extensive area and the project area will have, therefore, to be limited to certain select pockets, although the project as such can be introduced in the areas of all the sugar factories.

5.27 Thus, the real solution for overcoming the inadequacies mentioned in paragraph 5.25 above lies in the cane unions in the state aiming at and ultimately undertaking the following functions:

(i) For ensuring regulated cane supply throughout the crushing season and in adequate quantity to the factory, every cane union should involve itself right from the pre-planting stage of the crop. To start with, a list of member growers with acreage proposed to be brought under cane cultivation may be prepared. Of this, acreage necessary to fulfil the permanent quota may be treated as registered acreage for cane supply to the factory of the area. The growers may thereafter be given a calendar for planting cane in the registered acreage which may, from area to area, be so spread over that after maturity of the crop in one year's time, the union is in a position to maintain continuous cane supply of proper maturity to the factory throughout the crushing season of the following co-operative year.

(ii) As is being done presently, the union, in collaboration with the Cane Department, should thereafter undertake preliminary surveys to find out whether the calendar for planting cane in the registered acreage given by it has actually been carried out.

(iii) Similarly, the Department and the union should undertake a second round of survey of the standing crop during the following September-October to find out the actual quantity of cane that will be available for crushing from the registered acreage. On the basis of this survey, a programme for crushing should be drawn and dates/weeks for harvesting of the crop given to the grower members.

(iv) The harvesting and transportation of cane to the factory on the specified dates should not be left to the growers, but taken

up by the union itself. The discussions during the course of the study revealed that it would not be difficult for the unions to engage for this purpose adequate labour and bullock carts/trucks during the crushing season. To meet the cost, the union concerned can make deductions at certain rate from the ex-gate cane price at the time of its payment.

(v) The cane supply from a union to the factory of its area can be, as per the arrangement discussed above, properly regulated, if the work is entrusted to one organization. It is, therefore, desirable to have, as far as possible, only one union for the area of a sugar factory by amalgamation or readjustment of the areas of operation of the existing unions, if more than one union is presently attached to a factory.

5.28 We, however, understand that the proposal contained in paragraph 5.27, though ideal, is difficult of implementation in UP where every cane union is required to deal with a large number of very small growers, unlike the position obtaining in a state like Maharashtra. At the same time, it cannot be overlooked that the advantages that would accrue are very many. Even if the union charges an average rate of Rs 2 per quintal for harvesting and transportation of cane, a grower would, on an average, save at least Re 1.00 against one quintal of cane supplied and the enormous time involved in undertaking harvesting and transportation operations on his own. Vacation of his cane plot in one instalment instead of in dribblets will enable him to cover the cane plot with an additional *rabi* crop once in two years. By virtue of flow of cane of proper maturity throughout the crushing season to the sugar factories, the average percentage of sugar recovery would increase. A modest increase of 0.5 per cent in the average percentage of sugar recovery of the factories in UP would help increase the annual sugar production in the state by 75,000 tonnes. The cost thereof will not be less than Rs 15 crores in which case the return to the cane growers in the shape of cane price can be increased by another Re 1.00 per quintal of cane.

5.29 In view of the above position, we suggest that the arrangement proposed in paragraph 5.27 above may be the long-term objective and depending upon the ability of the concerned cane unions to handle it, the Cane Department of the GOUP may con-

sider it for introduction in a phased manner. For instance, the 'Intensive cane cultivation project areas' (areas within 10 miles radius from the factory gate) which account for not less than three-fourths of the total cane supply, can be initially covered at least in the case of a few factories from the western and central regions (like Pallia in Lakhimpur-Kheri district) in whose areas there are relatively bigger canegrowers. The experiment can then be subsequently extended in suitable stages to the other factories/areas. When the milk unions in the state can undertake daily collection of milk from the producers in the villages, arrange for its pooling at the roadside purchase centres and the onward transport thereof from the centres to the dairy of the union (or the government), there should not be any difficulty, at least for some efficient cane unions in the state to enter, in due course, the field of programming for planting and harvesting of cane and transportation thereof to the factory so as to be of greater utility to their member growers.

5.30 A reference is invited to an earlier paragraph 5.14 where it is pointed out that, with the introduction of the cash credit system, cane growers are required to hold shares in the credit society of their area in proportion to the borrowings from it. They, therefore, feel that their shareholdings in the union of their area have become infructuous. This contention is only partly correct. At present, a grower in order to be eligible for supplying his cane through the union of his area, is required to merely enrol himself as member of the union, by contributing towards one share of the paid-up value of Rs 20. Thus, it is just enough for any canegrower to hold only one share of the union, irrespective of the quantum of his permanent quota. This is not fair as growers with smaller or bigger quotas are required to contribute the same amount in the share capital of the cane union. Further, there is no scope for widening the capital base of the cane unions in the state. The entitlement of a cane grower to send his cane through the union of his area may have, therefore, to be linked with his shareholdings in the union. A grower may be entitled to supply, say, one cart load or 15 quintals of cane through the union against one share of Rs 20 of the union. In short, if the permanent quota of a grower is 60 quintals, he may be required to hold four shares of the union. What exact proportion should be prescribed for the

above type of linking may be decided by the Cane Department. Further, excess shares of a grower already held in the cane union over and above the amount necessary to fulfil the linking that will be fixed for cane supply, may be reckoned by the credit society for the purpose of fulfilment (on the part of the concerned grower) of the condition regarding linking of shareholdings with borrowings from it.

5.31 Finally, the most important activity in which the involvement of the cane unions in UP is, sooner or later, inevitable is the processing of cane. For at present it is estimated that sugarcane produced in hardly 28 per cent of the acreage under the crop in the area reserved for 77 sugar factories in the state, is routed through the 134 cane unions. Thus, the regulation of marketing of sugarcane by the cane unions is limited to a little less than one-third of the acreage under the crop and cane growers have to make their own arrangement for the disposal of their production from the remaining two-thirds of the total area under cane. On account of this position, there has been a great spurt in the establishment of power crushers for the manufacture of *khandsari* sugar by open pan process. *Khandsari* sugar has great demand in Northern India, particularly in the states of Bihar and UP. Presently, there are in all 4077 licensed power crushers in UP as may be seen from the district-wise position given in Annexure 33.

5.32 The licensing of power crushers has been entrusted to a separate wing in the Cane Department. Reportedly, the Department has decided to license new crushers only if the location is outside 10 miles radius from the gate of any sugar factory. The capital cost of these crushers ranges between Rs 2 lakhs and Rs 12 lakhs depending on their daily crushing capacity which may range from 300 to 1000 quintals of sugarcane. Almost all these crushers are privately owned. The supply of cane to them is not subject to any regulation and growers, therefore, suffer in the matter of weightment and receiving payments.

5.33 A few of these crushers are in the co-operative sector. One such crusher at Bamela in Muzaffarnagar district had been visited during the course of the field study. The members of the society numbered in all 20 and belonged to 2-3 families. It was noticed that, let alone the growers who had brought their cane for crush-

ing, but also the members who were attending to weighment of cane, etc., did not know that the crusher was a co-operative society. All the books of accounts, records, etc., were reportedly with one of the promoters who was not available. The Muzaffarnagar DCB, which had financed the crusher, had no information about its working results. All the twelve co-operative crushers financed by the bank are reported to be in fact family concerns of the above type.

5.34 In view of the position indicated in paragraphs 5.31 to 5.33 above, the Cane Department may consider whether regulation of supply of cane to power crushers manufacturing *khandsari* sugar and having certain minimum daily crushing capacity should be entrusted compulsorily to the respective cane unions. If this is done, growers will be assured of correct weighment and a reasonable cane price, the business of providing credit and supplying fertilizers will increase and the recovery of credit will be greatly facilitated.

5.35 Secondly, it is necessary to consider whether some cane unions in the state should have their own power crushers which may then be the first step towards integration of marketing and processing of sugarcane, which is very desirable. The steps that may be taken in this direction can be on the following lines:

- (i) The unions may locate these crushers in suitable pockets in the 'Outside' area from where the cane supply to the factory is very limited and abundant excess cane for crushing to the crusher can be made available.
- (ii) For a crusher with daily crushing capacity of 1000 quintals, the capital cost will be around Rs 12 lakhs. One-half of this cost, i.e., Rs 6 lakhs, may be raised by the union through a term credit from the concerned DCB or the UPGB.
- (iii) The balance cost of Rs 6 lakhs may be raised by the union by issue of 6000 special 'B' class of shares of the face value of Rs 100 each. One-third of these shares of the value of Rs 2 lakhs may be contributed by the state government.
- (iv) The remaining 4000 shares may be sold to growers in the area on the understanding that, holding one share

of the face value of Rs 100, will entitle them to send 5 to 10 cart loads of their surplus sugarcane to the crusher of the union for which purpose *parchis* of different colour can be issued.

- (v) The growers need not contribute Rs 100 per share in one lump sum. They may initially contribute Rs 25 per share. For the balance Rs 75, the RBI may consider sanctioning them medium-term loans of five years through the normal credit channel under its scheme of sanction of medium-term loans for purchase of shares in processing units. The annual instalments towards the repayment of the term loan so allowed can be recovered through cane payments.
- (vi) To have a wider coverage, no grower may be allowed to purchase more than three special 'B' class shares.
- (vii) The working capital requirements of the crusher can be met by the concerned DCB or the UPGB.

5.36 As already stated, integration of marketing and processing of sugarcane is very desirable because success of the marketing organization, viz., the cane union and in turn the credit structure in the cane belt would depend on the efficiency with which the processing unit has worked and met its commitments. If the sugar factory, which is in the private sector, is a sick unit and is in arrears in making cane payments and commission, the concerned union becomes helpless and the cane growers are put to great hardship. The position of arrears in cane payments and commission by the sugar factories in UP is given in Table 10.

TABLE 10

Factories from	Rs Lakhs			
	Arrears as on			
	30-6-76		30-10-76	
	Cane price	Commission	Cane price	Commission
Western region	567.79	22.97	410.78	17.31
Central region	689.26	24.27	472.56	17.80
Eastern region	116.51	10.99	109.96	9.45
<b>Total</b>	<b>1373.56</b>	<b>58.23</b>	<b>993.30</b>	<b>44.56</b>

5.37 Of the 77 installed sugar factories in UP, 61 are in the private sector including 10 under receivership, etc. Some of these units, like Munderwa, are sick and need modernization. The state government has prepared schemes for modernization of these factories under a scheme of financial assistance for the purpose announced by the Industrial Development Bank of India in July 1976. How many units will be eligible for assistance and, in the wake of demand for nationalization, how many proprietors would be interested in pushing through these schemes, is not known. Of the remaining 16 installed units, 8 are in the co-operative sector and the balance 8 are managed by the State Sugar Corporation. The units managed by the Corporation include factories like Pipraich which were once sick units, but whose working has been revived after acquisition thereof in an auction by the Corporation. It is significant to note that barring two factories, viz., Kichcha (Nainital district) and Sarsawa (Saharanpur district), arrears in cane payments or commission due from the other 14 factories managed by the co-operatives or the Corporation are nil or negligible. Inefficiently managed factories in the private sector accounting for chronic and heavy arrears in cane payments/commission can no doubt be taken over by the State Sugar Corporation. The major constraint may be that of availability of resources. The solution can be that the corporation may transfer the ownership and entrust the working of the existing units managed by it to the cane union of the area (if it has enlightened management) and utilize the resources available to take over some other inefficiently managed units in the private sector. The resources for the purpose may be raised by the concerned union as under:

- (i) The Corporation may agree to charge the same price at which the concerned factory was acquired by it plus the cost of additions, replacements, etc., made by it.
- (ii) Interim finance for the purpose to the cane union may be sanctioned by the UPGB in the first instance.
- (iii) For ensuring repayment of the interim finance, the cane union may issue special class of shares. Every grower may be required to contribute to the shares in proportion to his permanent quota for the supply of cane. The existing shareholdings of the cane growers in the union



may be reckoned for the purpose and eventually converted to the new class of shares.

- (iv) The growers may contribute only 25 per cent of the cost of each share initially. The RBI may consider extension of the scheme of medium-term loans for purchase of shares in processing units for meeting the balance 75 per cent cost.
- (v) The Cane Department and the State Sugar Corporation may help the cane union in the management of the factory initially by providing necessary staff.

We are of the view that the above proposal is worth consideration by the concerned authorities in the GOUP because firstly, with their capacity to build up resources by making small deductions from cane payments, the unions are best suited to look to modernization and expansion of the units if owned and managed by them. Incidentally, for the same reason, the cane unions constitute the most appropriate medium, if organization of a new co-operative sugar factory in their area is contemplated. Secondly the problem of modernization of sick units is likely to gather greater dimensions unless schemes are thought of and implemented to overcome the same.

### *Conclusion*

5.38 We have in this chapter made recommendations (i) for streamlining the cash credit system introduced in the state for financing sugarcane cultivation and (ii) on the role which can be played by cane unions in the state in the field of marketing and processing of the cane crop. These suggestions have been made with a view to ensuring that the co-operative credit institutions on the one hand and the cane unions on the other play useful complementary role in promoting the development of cane crop and improving the lot of cane growers in the state. We are confident that the suggestions made by us will be given due consideration and implemented by the concerned authorities in the GOUP.

## CHAPTER 6

### CREDIT FOR DAIRYING

6.01 As in the case of cane unions we are also required to suggest the manner in which activities of milk unions can be closely co-ordinated with those of the pacs so that while the functions of collection, processing and marketing of milk/milk products, as also the provision of extension services to milk producers are looked after by the milk unions, the supply of production and investment credit is attended to by the pacs. We propose to discuss these matters in this chapter. With a view to ascertaining the present position obtaining in this behalf, the Member-Secretary of the Team and the officers of the Secretariat undertook a study of the working of milk unions/primaries in the districts of Agra, Aligarh and Kanpur during the period 6 to 12 January 1977. We have taken note of the findings of this field study for offering suggestions/recommendations on the terms of our enquiry.

#### *Evolution of milk unions/primaries*

6.02 The first step towards organized collection and marketing of milk was taken in UP with the establishment of a milk producers' union in the co-operative sector at Lucknow in 1938. By 1950, the union was in a position to have its own pasteurization plant with capacity to handle 2000 litres of milk per day. The daily capacity has since been increased to 40000 litres. While the collection of milk from producers is being arranged through affiliated milk primary societies and the union's roadside collection/purchase centres, pasteurized milk and milk products are sold in Lucknow city through 200 sale points of the union. A similar organizational set-up has been created in Kanpur district since 1963. Besides, when the Glaxo Laboratories and the Hindustan Lever Ltd. (HLL) decided to set up a baby food manufacturing unit, each at Aligarh and Etah respectively, the state government, at the initiative of the then RCS, were able to reach an understanding with them that, their plants would not purchase raw milk from producers directly but entrust this function to the

milk unions. As a sequel to this decision, co-operative milk unions and milk primaries were organized around 1960 in the districts of Agra, Mathura and Aligarh. The organization of milk unions/primaries was later extended mainly to districts from the Western and Central regions and in the recent past to the districts in the Hilly region.

*Operation of milk unions/primaries*

6.03 As per their byelaws, the objectives of the milk unions are as under:

- (i) to promote milk production in rural areas as per policy of the state government and the Department;
- (ii) to undertake and make arrangements for collection of milk and marketing of milk and milk products and prepare and implement schemes to promote the above activity;
- (iii) to install dairies to undertake processing of milk;
- (iv) to arrange for purchase of milch cattle of good breed on behalf of producers of milk and to act as agent for this purpose;
- (v) to set up milk collection centres and chilling centres at convenient places;
- (vi) to set up milk sale points and milk bars for sale of processed milk/milk products;
- (vii) to arrange for transportation of milk, milk products etc;
- (viii) to arrange for medical and artificial insemination (AI) facilities;
- (ix) to help in the recovery of loans extended to members of affiliated societies; and
- (x) to arrange for supply of cattle feed, green fodder, etc.

As against the above position, milk primaries have been set up for undertaking the following functions:

- (i) issue short-term and medium-term loans for maintenance and purchase of milch cattle;
- (ii) arrange for purchase of good breed of cattle for its members;

- (iii) arrange for cattle feed and supply of the same to members;
- (iv) arrange for the production of good feed and storing thereof;
- (v) provide health cover and artificial insemination facilities;
- (vi) procure milk from members and supply to the union's centres; and
- (vii) if necessary, procure milk from non-members with the prior approval of the RCS.

6.04 Almost all the milk unions own dairy plants which have been constructed out of loans/grants made available by the GOUP. The exception, however, is the dairy at Agra which is owned by the state government. But, the milk union at Agra undertakes collection and supply of milk and arranges for marketing of milk/milk products, leaving the function of processing of milk alone to the government dairy. At the dairy plants milk is chilled and/or pasteurized and by-products like butter, ghee, cream are produced. However, not all the plants have all these facilities. For collection of milk, the milk unions have set up milk collection centres, popularly known as roadside purchase centres. At these centres milk is received either from milk primaries, which are called self-collection centres, or through private carriers known locally as *dudhiyas*. At the collection/purchase centres milk collected from milk primaries or *dudhiyas* is chilled, either with the help of ice or in a chilling plant wherever such a facility is available. The milk purchase centres test the milk received for its fat content. Payment of the milk price, which is presently fixed at Rs 1.50 per kg for milk with a fat content of 6.5 per cent and 9 per cent SNF (solid non-fat) in the 'reserved' areas, is made every week to the *dudhiyas* or the milk primaries on a pro-rata basis with reference to the actual fat content. For collecting and handing over milk at the roadside purchase centres, the milk unions pay a commission of 6½ paise per kg to a private carrier, i.e., the *dudhiya* and 8-10 paise per kg to milk primaries. The milk price is required to be paid by the milk primary societies to the producers on the basis of fat content of the milk brought by each individual producer. This is possible where primaries have the equipment for testing milk. If there is no such arrangement, the

rate allowed by the milk purchase centre of the union forms the basis for payment to individual producers, irrespective of the quality of milk tendered by each one of them. In the case of a private carrier, there is no arrangement to verify whether the prescribed price of Rs 1.50 per kg for milk with fat content of 6.5 per cent and 9 per cent SNF or the admissible pro-rata price, is actually paid by him to the ultimate producers. The milk brought at the road-side collection centres of the milk unions is transported to the dairies for further processing either in the tankers or in cans by truck. Besides, milk is generally supplied to the manufacturers of baby food and allied products, as also the Delhi Milk Scheme (DMS) directly from road-side centres in the tankers of the respective purchasers. Arrangements for distribution of milk for sale to consumers in the city area have been made by the respective milk unions by opening appropriate number of sale points.

6.05 Until recently, i.e., till 31 March 1976, the registration of, and supervision and control over, the milk unions/primaries were with the RCS. For this purpose, the Co-operation Department had created a separate wing at the district level comprising the Deputy Dairy Development Officer (DDDO), the Milk Inspector and the Milk Supervisors. In order to promote and regulate the production of milk, its collection, processing and the marketing of milk/milk products, the state government passed the Uttar Pradesh Milk Act, 1976, which came into force with effect from 16 April 1976. Simultaneously, the government created a separate Dairy Development Department headed by the Milk Commissioner and transferred to him the supervision and control over milk unions/primaries which was looked after by the Co-operation Department. However, the power of registration of these societies continues to be vested in the latter Department.

6.06 UP is the only state in the country to enact a separate legislation for the regulation and control of production, supply and distribution of milk and its conversion into milk products with a view to ensuring an orderly development of dairying in the state. In terms of the above Act, a separate Board known

as the Uttar Pradesh Rajya Dugdh Parishad has been constituted with the following composition:

Agricultural Production Commissioner	Chairman
Chairman, State Co-operative Dairy Federation	Vice-Chairman
Special Secretary or Joint Secretary in the Animal Husbandry Department	Member
Director of Animal Husbandry	—do—
Director of Agriculture	—do—
Registrar of Co-operative Societies	—do—
Director of Health Services	—do—
Four* representatives of the milk unions	Members
Two* representatives of the private dairies registered under the Industries (Deve- lopment and Regulation) Act	—do—
Two* persons representing consumers' interests	—do—
Milk Commissioner	Member-Secretary

The main functions of the Board are to: (i) prepare plans and schemes for the development of dairy industry, (ii) co-ordinate and guide activities concerning breeding of livestock, controlling of cattle diseases, provision of balanced feed and green fodder, and (iii) regulate the price of milk and milk products. The Milk Commissioner is the chief executive officer of the Board. The Act also provides for the establishment of a Fund called the Uttar Pradesh Milk Development Fund to be administered

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\*To be nominated by the State Government.

and controlled by the Board and to which the sources of credit are as under:

- (i) milk cess on the sale, purchase or carriage by road, of milk/milk products to be recovered and transferred to the Fund by the Dairy or by a processor, manufacturer or transporter of milk/milk products outside the state,
- (ii) licensing fees,
- (iii) grants-in-aid from the state or the central government or any other organization or body.

In terms of a provision in the Act, a licence is necessary to set up a new dairy or milk processing unit with installed capacity above a specified limit. Besides, the Board has been authorized to declare any area in the state to be a 'reserved' area to ensure availability of sufficient milk at fair price. When an area is declared as 'reserved', all purchases of milk in it will be at such prices as may be notified by the Board. Further, no person will be allowed to carry or transport milk in excess of a specified quantity outside any notified 'reserved' area without obtaining a licence therefor.

6.07 Some of the above provisions have already been invoked. To ensure a fair price to milk producers and adequate supplies of milk to the government-run dairy at Agra and the dairies of the co-operative milk unions in Meerut, Dehra Dun, Muzaffarnagar, Nainital, Aligarh, Mathura, Bulandshahr, Moradabad, Kanpur, Fatehpur and Allahabad districts, the Board has declared certain places in these districts as 'reserved' areas with effect from 4 January 1977. The Board has directed that the dairies in the 'reserved' areas will buy all the milk offered by the producers in the region at a price not below Rs 1.50 a kg containing 6.5 per cent butter fat and nine per cent SNF payable for the period up to 15 February 1977. The Board has also authorized private milk dealers to collect milk within the 'reserved' areas, provided they pay the minimum price fixed by the Board to the producers. But they cannot transport milk outside these areas without a licence from the office of the Milk Commissioner. The Board has, however, allowed transport or carriage of ghee not exceeding five kgs, milk not exceeding 10 kgs or any other milk

products upto 10 kgs outside the 'reserved' area for personal consumption.

6.08 After mentioning the developments that have taken place in the recent past, we proceed to discuss briefly the functioning of the milk unions/primaries in the three districts covered by the field study, viz., Agra, Aligarh and Kanpur.

### *Agra district*

6.09 In Agra district, the pasteurization/bottling of milk and conversion of butter fat into milk products is handled by the government dairy which has a daily handling capacity of 10000 litres of milk. The collection of milk and marketing of processed milk/milk products are looked after by the milk union which also supplies milk to the baby food manufacturing plant of HLL at Etah and to the DMS. For the milk supply arranged by the union and the pasteurized milk and milk products marketed through it, the following commission and charges are paid by the government dairy:

Commission to milk primary for handing over milk at the union's road-side centre .. ..	10 paise per kg
Commission as above to <i>dudhiya</i> , i.e., private carrier ..	6½ paise per kg
Chilling and transportation charges for transport of milk from the road-side centre to the dairy paid to the union ..	10 paise per kg
Commission paid to the union for procurement of milk ..	3½ paise per kg
Transportation charges paid to the union for transport of processed milk from the dairy to selling points .. ..	12 paise per kg
Commission on sales paid to the union as under:	
Milk .. ..	10 paise per kg
Butter .. ..	Rs 1.25 per kg
Ghee .. ..	Rs 1.20 per kg



6.10 The union through its 14 road-side purchase centres presently collects around 45000 litres of milk per day. Of this, about 10000 litres are handed over to the government dairy for meeting the supply in Agra city and the balance is sent to HLL, Etah. The union has in the past supplied milk to DMS. Both the HLL and DMS pay commission on the milk supplied at per litre rate which is slightly favourable to the union *vis-a-vis* the rate allowed by the government dairy. The bulk of the milk procured at the purchase centres of the union is from *dudhiyas*. In fact, until May 1976 all the purchases were from private carriers. Since then 27 out of 73 milk primaries affiliated to the union have been revived which undertake the business of collection of milk, though on a very limited scale. All these 27 revived primaries have been provided with fat testing equipment.

6.11 As per its byelaws, the area of operation of the union extends to all the six *tehsils* in Agra district. But its business of collection of milk is restricted to only 3 *tehsils* in which there are 76 registered milk primaries. Of these, 73 societies are affiliated to the union and only 27 out of them are functioning. A part of two out of the three *tehsils* effectively covered by the union, in which the 27 functioning primaries are located, has been notified as the 'reserved' area. The size of operations of even the functioning milk primaries is meagre as is evident from the information given in Table 1 in respect of two such societies.

TABLE 1

	Name of the milk primary society	
	Birai	Naushika
No. of villages covered	1	1
No. of families in the area	80	86
No. of families owning milch cattle	50	72
Membership of society	26	54
Average daily milk collection in litres during July-November 1976	50	37
Estimated daily supply in litres from the village through private milk carriers	40	60
Services extended by the society	Nil	Nil

Inability of the milk primaries to extend any services coupled with the hold of private carriers, who extend some financial assistance during the lean period against future milk supplies, together account for the inability of the milk primaries to claim allegiance of milk producers of their area. Thus, revitalization of milk primaries is a major problem. This can be taken care of by ensuring that milk collection through primaries is enough to enable them to maintain their own milk room, staff, equipment, etc., and earn some surplus. Towards this end, arrangements for provision of loans for purchase of milch cattle are necessary. The marketing of milk may not pose any problem for the following reasons.

- (i) Till the current flush season supply of milk was far below its rated capacity.
- (ii) Even with the proposed expansion of the installed capacity of the dairy to 20000 litres per day, the dairy/union will not be able to meet one-fifth of the requirements of Agra city and military establishments in Agra and Ferozabad.
- (iii) There is further scope for supplying milk to HLL, Etah, DMS and Dalmia Dairy in the adjoining Bharatpur district of Rajasthan.

6.12 Until 1971-2, medium-term loans for purchase of milch cattle on a limited scale were being routed through milk primaries out of funds provided by the state government. With the revival of 27 milk primaries and possible arrangements for organized marketing of milk, the Agra DCB, at the instance of the RCS, has in terms of its circular dated 4-11-1976 announced a scheme for providing medium-term loans for purchase of milch cattle, the salient features of which are as under:

- (i) Loans will be disbursed through the medium of pacs normally for a period of 3 years. In the case of small farmers a five-year period may be allowed.
- (ii) Loans up to Rs 2000 will be disbursed on personal security with surety of one non-defaulting member and loans above this amount against the mortgage of land. Normally the amount of loan will be limited to Rs 2000.
- (iii) Loans will be disbursed only in such areas where arrange-

ments for collection of milk through milk primaries/ union have been made. Every loan proposal will have, therefore, to be recommended by the concerned milk supervisor and the milk inspector of the union.

- (iv) The purchases of milch cattle will be made by a purchase committee in the presence of the concerned borrower. The committee to be nominated by the ADM (Development) will comprise a representative each of the DCB, the milk union and the District Live-Stock Officer (DLO).
- (v) The purchased cattle will be branded for identification and insured for the loan amount against the risk of mortality.
- (vi) Linking between shareholdings and borrowings will be in the proportion of 1 : 10.

Already loans as above of Rs 1.16 lakhs to two pacs in respect of their 58 members have been sanctioned.

6.13 The activities of milk union in the field of provision of health cover, Artificial Insemination (AI) facilities, green fodder, balanced feed, etc., are almost nil. The mobile dispensary which it has, is not in operation for want of a veterinary doctor. The Animal Husbandry Department is, however, having 24 veterinary hospitals, 17 AI centres and 21 stockmen centres in the district. Thus, the activities of the milk union are restricted to the collection and marketing of milk on a commission basis and therefore, it is working at profit. As against this position, the government dairy is in the red. The cost of one litre of milk with 6.5 per cent fat, inclusive of commission for collection and marketing, but exclusive of the cost of processing, works out for it to Rs 1.99. The sale price of 1 litre of bottled milk with 5 per cent fat is Rs 1.80. The sale proceeds of butter/ghee manufactured out of 1.5 per cent fat left with it work out to 30 paise leaving a surplus of 11 paise per litre with the dairy for meeting the processing cost. This is inadequate especially because the dairy is not equipped with a mechanical bottling plant. The breakage of bottles is heavy and the cost thereof works out to 7 paise per litre. Besides, there is no outlet for the disposal of the SNF.

*Aligarh district*

6.14 The area of operation of the Aligarh Milk Union extends to the districts of Aligarh, Mathura, Bulandshahr and Etah. Since a separate milk union is being organized for Etah district, the effective area of operation of the Aligarh Milk Union extends to the districts of Aligarh and Mathura and 9 blocks in the Bulandshahr district. All this effective area of operation has been notified as the reserved area. There are in all 442 registered milk primaries in the area. Of these 233 societies from Aligarh district, 140 societies from Bulandshahr district and 21 societies from Mathura district, i.e., in all 394 societies, are affiliated to the Aligarh union. These 394 societies can be classified into three broad categories as in Table 2.

TABLE 2

Category	Basis of classification	No. of societies
I	Societies collecting milk and equipped with facilities for testing	100
II	Societies collecting milk but not having facilities for testing	150
III	Societies affiliated to the union but not functioning	144
<b>Total</b>		<b>394</b>

Almost all the societies in categories I and II are located in Aligarh and Bulandshahr districts. Each of the societies in category I is having an independent secretary who functions as accountant-cum-tester-cum-first-aid worker and is assisted by a milk carrier who carries milk in milk cans by bicycle from the society to the adjacent road-side purchase centre of the milk union. About 40 hands are undergoing short-duration training and on completion thereof will be posted as secretaries in the societies from category II. The union has set up in all 50 road-side purchase/collection centres in its effective area of operation.

6.15 There is a separate milk union at Mathura registered for Mathura district, but the same is now not functioning. The chilling/pasteurization plant of this union at Mathura with capacity to handle 10000 litres of milk daily has been taken on lease for a

rent of Rs 200 per day by the Aligarh milk union. Milk collected for supply in the cities of Aligarh and Mathura is processed and bottled in this plant. The Aligarh milk union is not having its own pasteurization plant.

6.16 The present daily collection of milk of the Aligarh union through its 50 road-side purchase centres, is around 160000 litres. Of this, around 60000 litres are collected by the centres in Mathura district. All this milk is purchased from private carriers as none of the milk primaries in Mathura district is functioning. The remaining 100000 litres of milk are collected by the union's centres in Aligarh and Bulandshahr districts. Forty per cent of this daily supply, i.e., about 40000 litres of milk, comes from the affiliated 250 functioning primaries. The average daily collection per functioning society works out to 160 litres. This, however, is the position during the peak flush season. For the entire year 1975-6, the relevant average worked out to 89 litres per functioning society which in relative terms (i.e., *vis-a-vis* the position obtaining in other districts) can be deemed as satisfactory. The disposal of milk collected is as in Table 3.

TABLE 3

	Milk in litres
(i) Supply to baby food plants of:	
(a) Glaxo Laboratories, Aligarh and	100000
(b) HLL, Etah	25000
(ii) Supply to DMS	30000
(iii) Supply to the union's dairy for city consumption	5000
	<b>160000</b>

From the above, it is evident that the pasteurization plant taken on lease by the union is being utilized up to 50 per cent of its installed capacity despite the fact that the scope for increasing the city supply is abundant. Further there is scope for increasing the supply to DMS. From the view point of marketing, therefore, there is good scope for issuing medium-term loans for purchase of milch cattle.

6.17 In the sphere of provision of extension services also, the

record of the Aligarh milk union, in relative terms, is quite satisfactory. The union has set up 3 veterinary dispensaries for disease control, treatment of ailing animals, etc. This is in addition to the facilities for the purpose provided by the Animal Husbandry Department which are given in Table 4.

TABLE 4

Category	No. of units
Veterinary hospitals	32
Mobile veterinary hospital	1
Stockmen centres	116
Semen collection centres	2
AI centres	26

Besides, the union has made arrangements for the manufacture of cattle feed for supply to milk producers. Arrangements for supply of green fodder seeds have also been made.

6.18 The most notable activity of the union in the above sphere is the initiative it has taken in launching three integrated projects for cattle development in collaboration with the Glaxo Laboratories and the Pant Nagar Agricultural University. Each project is known as the Dairy Development Project. While the financial burden is shared by the union and the Glaxo Laboratories, technical assistance has been provided by the Pant Nagar Agricultural University. One such project at Narona-Akapur was covered during the course of the field study. The project was launched in 1969-70 and initially covered 6 villages. The project area has since been extended to 11 villages in which 7 milk primaries, each having milk testing equipment, are functioning. A first-aid worker has been attached to every society. At the project headquarters three specialists, viz., a veterinary surgeon, an AI specialist and a fodder specialist, who are on deputation from the Pant Nagar University, have been posted. The AI specialist attends to natural and artificial insemination as also pregnancy diagnosis. The veterinary surgeon attends to vaccination for control of diseases, treatment of ailing animals and infertility treatment. The fodder specialist demonstrates advantages of feeding green fodder and improved cattle feed for increasing milk production and provides guidance in the cultivation of green fodder. Supply on no profit/

no loss basis of quality feed and green fodder as also green fodder seeds to milk producers pooling milk with the milk primary societies, is also arranged by him. These producers are also provided with AI and cattle health cover facilities on payment of very nominal charges. Recently an evaluation of the impact of the project was made by a team of experts from the Pant Nagar University who have observed:

"The lactation yield of milch buffaloes in the project villages was higher by 29 per cent than that of the non-project villages. The average cost to produce one kilogram of buffalo milk in project villages was lower by 11 per cent. The lactation length in project villages exceeded by 23 days while the length of intercalving period was about the same in both the project and non-project villages. In the project villages about 66 per cent of total milch buffaloes yielded a peak yield of 8 kgs or more as against only 35 per cent in non-project villages. All these findings of the study clearly indicate the positive impact of the activities of the Dairy Development Project on production, efficiency and breeding behaviour of milch buffaloes."

6.19 Another impact of the project has been the ability of the milk primaries in the project area to command complete loyalty of the milk producers in their respective areas of operation. For instance, in the case of Narona-Akapur milk primary, the average daily collection of milk in the last three different seasons of milk production, has been as shown in Table 5.

TABLE 5

Season	Average daily collection of milk in litres
Lean (April 1976 to July 1976)	75
Rainy (August 1976 to October 1976)	96
Flush (Normally from November to March. But the average given is for November and December 1976)	235

6.20 In short, the results of the project have shown that arrangements for the supply of milch cattle to a breeder have to be backed by extension facilities, including credit, to enable him to obtain better quality feed as also cultivate green fodder. Normally, green fodder grown on one-fifth of an acre is considered sufficient to meet

the requirements of one milch cattle and it is beneficial for a cattle breeder to grow his own green fodder rather than buy it from the market. Besides, the maintenance of an animal by providing it with quality feed during the dry period is also equally important with a view to reducing the intercalving period, increasing milk production, as also prolonging the following lactation period. The normal practice among the breeders is to hand over the animal to a non-agriculturist for grazing in open grounds during the dry period on payment of certain charges to the latter. This is known as *Batai* system. However, this involves handing over the milch cattle to a third party thereby neglecting its maintenance. In view of this position, some short-term finance to a breeder for maintenance of his milch cattle during the dry period seems necessary.

6.21 As against the above position, institutional facilities for provision of even the medium-term loans for purchase of milch cattle are lacking in Aligarh district. The DCB of the district has not been in a position to purvey medium-term credit for the above purpose. Among the commercial banks, the SBI had been in the past issuing medium-term loans for purchase of milch cattle through milk primaries, but discontinued this practice from the year 1975-6, as it has decided to undertake indirect financing only through the medium of re-organized pacs ceded to it for financing. In result, milk producers in the district can raise finance for purchase of milch cattle only if they are able to obtain a loan for the purpose directly from a branch of a commercial bank. Despite their re-organization, the pacs in Aligarh district have not been able to issue medium-term loans for purchase of milch cattle even in areas where linking of credit with marketing of milk is feasible. In Mathura district, the position is quite opposite, inasmuch as, although the district is covered by an SFDA and the credit structure is in a position to purvey medium-term credit for purchase of milch cattle, not much progress in issuing such loans has been made in the absence of arrangements for organized marketing of milk.

6.22 The Aligarh milk union is working at profit and is not carrying any previous loss balance. The chances of revival of the Mathura milk union are, however, bleak because firstly, it is carrying a heavy loss balance and secondly, its present earnings by



way of lease rent from the Aligarh union are not adequate to meet its commitments even towards interest on the government loan.

*Kanpur district*

6.23 The union in the district is known as Kanpur Sahakari Milk Board. It has its own milk pasteurization plant with daily handling capacity of 50000 litres. The total cost of the plant at Rs 140.33 lakhs was raised as under.

	Rs lakhs
Government loan	74.24
Government subsidy	25.66
Government share capital	10.43
UNICEF assistance	30.00
	<b>140.33</b>

Pasteurized/bottled milk and milk products are marketed in Kanpur city through the union's 259 sale points.

6.24 For procurement of milk, the area of operation of the union extends to the districts of Kanpur, Fatehpur and Etawah. The union has set up 61 road-side purchase/collection centres in the area in which there are in all 315 registered milk primaries affiliated to the union. Of these, only 115 societies are presently engaged in the collection of milk and the others are dormant. Milk collection at the union's road-side centres is made mainly from the affiliated primaries. Presently, the average daily collection of milk is around 20000 litres. Thus, the union's pasteurization plant is working up to 40 per cent of its rated capacity and the union has been able to meet hardly 10 per cent of the requirements of milk in Kanpur city. In result, the union is carrying a heavy loss balance of over Rs 80 lakhs. The main obstacle is severe competition from private milk carriers who are supplying milk to private dairies located in Kanpur city.

6.25 As for the provision of extension services, the union has arranged for the supply of green fodder seeds to milk producer-members of the affiliated primaries on 25 per cent subsidy. Besides, the effective area of operation of the union (i.e., 11 blocks in

Kanpur district and 1 block in Fatehpur district) is covered by the state government's Intensive Cattle Development Project (ICDP). The basic objective of the ICDP is to ensure that the supply of milk to the union reaches the optimum level. The project-in-charge is a Deputy Director of Animal Husbandry. Necessary extension staff has been posted under him. The ICDP functions under a steering committee comprising the District Collector (Chairman), the manager of the union and the Project-in-charge (Convenor). This Committee ensures full co-ordination between the activities of the ICDP and those of the milk union. The ICDP aims at the establishment of one veterinary hospital for total livestock population of 25000 and 2-3 stockmen centres within the area of each hospital, with a view to ensuring the success of its schemes which relate to the fields of health cover (i.e., treatment of ailing animals and vaccination against contagious diseases) and improved breeding (i.e., extension of AI facilities and fodder development work). At present, there are in all 46 veterinary hospitals, 126 stockmen centres and 33 AI centres in the project area. Incidentally, it may be mentioned here that six other districts, viz., Aligarh, Lucknow, Allahabad, Meerut, Moradabad and Nainital are covered by ICDPs and two more districts, viz., Faizabad and Varanasi are proposed to be covered later.

6.26 Marketing of milk being no problem, there is enough scope for provision of medium-term loans for purchase of milch cattle in Kanpur district. Until recently, commercial banks in the district, which are issuing loans to individual beneficiaries directly, constituted the only source of funds for the purpose. In October 1976, however, the DCB, Kanpur announced its policy of issuing medium-term loans for purchase of milch cattle. The terms and conditions prescribed are the same as adopted by the Agra DCB (paragraph 6.12 with one major exception. Whereas, the Agra DCB has decided to issue such loans only through the medium of re-organized pacs, the Kanpur bank has preferred to route the finance through the medium of milk primaries, wherever they are functioning. Of the loans amounting to Rs 2.22 lakhs sanctioned by the bank so far to 4 societies in respect of their 139 members, those aggregating Rs 1.50 lakhs in respect of 74 beneficiaries are to be routed through one milk primary society.

*Summary of findings*

6.27 The findings of the field study in brief are as under:

- (i) A large number of milk primaries are dormant. Of those which are functioning, many are non-viable. Re-organization and revitalization of milk primaries has, therefore, to be effectively tackled in the interest of milk producers and the milk unions.
- (ii) There is enough scope for loans for purchase of milch cattle of improved breed with a view to upgrading the economy of the breeders and in turn increasing the supply of milk to the milk unions. But the provision of such loans has to be backed by facilities for cultivation of green fodder, purchase of balanced feed and maintenance of animal during the dry season.
- (iii) In order to claim complete loyalty of milk producers in their respective areas, the milk unions will have to play active role in the provision of various facilities in the spheres of health cover and improved breeding to producers. This will be possible if the unions have sufficient financial strength and their activities are closely co-ordinated with those of the Animal Husbandry Department. Besides, constraints experienced in promoting organized collection and marketing of milk will have to be removed.

Having identified the area and problems requiring our consideration, we proceed to discuss first the question of the viability of the milk primaries and their re-organization and follow it up with our suggestions about the arrangements that are necessary for provision of credit facilities for purchase of milch cattle and their maintenance.

*Viability of milk primaries*

6.28 In order to ensure that every milk primary has its own staff, milk room and testing equipment, as also facilities for transporting

milk to the union's purchase centre and providing first aid, the state government have approved the following pattern of assistance:

- (i) Managerial expenses: Government subsidy on a tapering basis for a period of 5 years as under:  
1st year — 100% or Rs 100 per mensem whichever is less,  
2nd year — 75% or Rs 75 per mensem whichever is less,  
3rd year — 60% or Rs 60 per mensem whichever is less,  
4th year — 45% or Rs 45 per mensem whichever is less and  
5th year — 25% or Rs 25 per mensem whichever is less.
- (ii) Building, i.e., milk room: Rs 4000—50% of the amount by way of subsidy and the balance as a medium-term loan repayable over a period of three years.
- (iii) Equipment: Supply of milk equipment — 50% of the amount by way of subsidy and the balance by way of a medium-term loan for a period of three years.
- (iv) Milk transport cans: Five cans with a capacity of 40 kgs each (cost of each can is around Rs 250) as under:  
50% of the cost by way of grant, 35% by way of medium-term loan and 15% by way of share capital contribution.
- (v) Veterinary services: First aid box costing about Rs 200 — 50% subsidy and the balance by way of medium-term loan.
- (vi) Cattle crush costing about Rs 800 — 50% subsidy and balance by way of medium-term loan.
- (vii) Share capital participation: On a matching basis which includes 15% government share capital contribution towards the cost of milk transport cans mentioned at item (iv) above; the government share capital is given only to such societies where the collection of milk on an average is at least 30 litres per day during the year.

The state assistance as above can be gainfully utilized by a milk primary society only if it attains viability. Since the main income of such a society is by way of commission on milk collected, the viability norm has to be necessarily related to the average daily collection of milk. On the assumption that every milk primary would require the services of a secretary (who will be also tester-cum-first-aid worker) and a milk carrier, the estimated monthly income and expenditure position of a milk society for an average

milk collection of 50 litres, 100 litres and 150 litres per day, is given in Table 6.

TABLE 6

	Income/expenditure for a society with average daily collection of milk in litres		
	50	100	150
	Rs	Rs	Rs
<i>Income (per month)</i>			
Commission at 10 paise per litre	150	300	450
Income due to conversion (Collection of milk is in litres at Rs 1.50 per litre, but the society hands over milk at Rs 1.50 per kg. There is some income as a result of this conversion as 100 litres = 103 kgs)	45	90	135
Total income	195	390	585
<i>Expenditure (per month)</i>			
Salary of secretary	130	150	175
Salary of milk carrier	75	100	125
Chemicals for testing/stationery	120	135	150
Milk room rent or depreciation	25	25	25
Miscellaneous	25	35	50
Total expenditure	375	445	525
Income—expenditure	(—) 180	(—) 55	+60

Thus, for being a viable unit, the average daily collection of a milk primary society should be at least 150 litres. For maintaining this average, the daily collection during the flush season should be around 300 litres as the average daily collection during the lean season is likely to decline up to 75 litres, i.e., up to one-fourth of the collection during the flush season. This means that the society to be viable will have to effectively cover between 60 and 75 milch buffaloes.

6.29 However, this position emerges if the rate of commission per litre of milk collected is 10 paise. Allowing higher commission to an institution for the activity of collection of milk results in reducing the return from the sale proceeds of milk to the milk

producer. From this angle, it is essential that the milk primary functions on the lowest possible margin of commission. Taking into account all aspects of the matter, we are of the view that, it should be possible for an established milk primary to function effectively on a commission of 5 paise per litre of milk collected and this should be the long-term objective. If this is so, a milk primary can be deemed as a viable unit if its daily collection of milk ranges between 600 litres in the peak flush season and 150 litres in the lean season. This will be possible only if the society effectively covers about 150 milch buffaloes.

#### *Re-organization of milk primaries*

6.30 The next question which needs consideration is what should be the approach for re-organizing the existing milk primary societies and registration of new such societies. In this connection three main questions may have to be considered. Firstly, whether a milk primary to effectively cover about 150 milch cattle, may need a much wider area than a single village as is the case at present. Secondly, from the view point of convenience of the farmer who generally keeps milch cattle as a subsidiary source of income, whether it is desirable and feasible for him to keep in touch with multiplicity of institutions. Finally, in the context of the re-organization of pacs and their eventual development into multipurpose organizations at the *nyaya panchayat* level, whether it is necessary to have separate milk primaries for collection of milk alone which function can be entrusted to the *nyaya panchayat* level multipurpose societies. It is clear that whether it is a separate milk primary or the activity is part of a multi-purpose society, the jurisdiction cannot be confined to only a single village in its area, as in such a situation the society will have little or no chance of becoming viable. Now that the pacs have been re-organized on *nyaya panchayat* basis, the area may be the same as that of the re-organized society. The point, however, is whether the same re-organized society should undertake the functions of providing credit, collecting milk, providing feed and concentrates and also health cover etc., or whether a separate society with the same jurisdiction be registered to take up all the functions listed above, excepting the provision of credit.

6.31 Two view points were expressed in this connection. One view was that the newly re-organized societies might not be able to handle the more specialized functions connected with dairying and, therefore, it would be desirable to organize a separate society for the purpose initially, the ultimate objective being to merge the milk society and the re-organized pacs in due course. To facilitate the eventual merger, there should be exchange of directors between the two societies. The societies would of course be established only in the milk shed areas and not as parallel to every re-organized pacs. The other view was that the re-organized societies were expected to become truly multi-purpose in character and if they were to provide credit for dairying, there was no justification for their not being entrusted with the other functions, viz., collection of milk, provision of feed and health care facilities, etc. In the initial stages even a milk society with a *nyaya panchayat* jurisdiction might find it difficult to become a viable unit as it would take a long time for it to develop the minimum turnover needed for the purpose. The re-organized pacs with a larger income potential might be able to undertake the functions with little assistance from outside. It would be appropriate if the government was called upon to assist financially only one unit than two, for in the latter case the financial burden was likely to be more. According to this view point, therefore, there was no need to have separate milk primary societies even with *nyaya panchayat* jurisdiction and no such new societies should be registered in the future and that the functions should be entrusted to the re-organized pacs.

6.32 Those who held the second view point, however, felt that while the recommendation might be enforced only in respect of new milk primaries, some of the existing societies might be allowed to function but with an extended jurisdiction coterminus, if necessary, with that of the re-organized pacs to improve their chances of attaining viability quickly. Accordingly, of the existing 3675 milk primaries (district-wise position given in Annexure 34), those having daily collection of milk of 50 litres or more might be retained with wider jurisdiction. Such primaries numbered 545 or only about 15 per cent of the total. The suggestion was made primarily from the view point of the farmers who might suffer, if the existing arrangements were dislocated. There was, according to this view point, no justification for continuing the rest of the societies as they

would hardly attain viability in a reasonably short period of time and that, therefore, these societies might be merged with the re-organized pacs or liquidated taking into account the financial position of each such society.

### *Supply of credit*

6.33 In deciding the viability of a milk primary, it has not been envisaged that such a society will undertake the business of supply of credit for purchase of milch cattle. This is so for two reasons. Firstly, with the re-organization of pacs on *nyaya panchayat* level basis, there is already a viable organization at the base level to look after the business of credit supply. Secondly, if a milk primary is tagged with the business of supply of credit, it will do so at the cost of ignoring its main functions of milk marketing and provision of allied services to the milk producers. It is, therefore, desirable that medium-term loans for purchase of milch cattle are routed through the normal credit channel and suitable instructions in this behalf issued to all DCBs. It may be noted here that in so far as the Hilly region is concerned, a composite organization at the base level with limited area of operation, has been proposed for the reasons given in Chapter 3.

6.34 However, in certain quarters a view is expressed that if milk primaries are allowed to route loans for purchase of milch cattle, they would be in a better position to command loyalty of their producer members. This contention is not tenable, inasmuch as, during the course of the field study, it was observed that the closeness of links between milk producers and their milk primary society depended mainly on the ability of the latter to provide facilities for better breeding and cattle health cover. But in order to ensure effective linking between the supply of credit for purchase of milch cattle and marketing of milk, it is desirable that applications for such loans are collected by the milk primary where it exists and transferred with recommendations to the milk union which in turn should, after recording its own recommendations and undertaking to make recoveries out of milk payments, hand over the same to the concerned branch of the DCB. At the branch level the supervisor should, with the help of the secretary of the pacs, get other formalities like the preparation of the society's



medium-term credit limit application with a resolution of the managing committee, etc., completed. After the loan is sanctioned by the DCB, it may be disbursed to the milk union which should arrange for purchase of milch cattle through purchase committees already constituted or being constituted in each district. The above procedure, if followed, will not only ensure effective linking between credit and marketing, but also help to further build up close links between the milk producer and the milk primary of his area.

6.35 As regards the payment of milk price, the procedure introduced by the Kanpur Milk Board in respect of milk primaries in Fatehpur district, is worth adoption in other areas/districts. Under this procedure, milk primaries have opened their deposit accounts with the nearest branch of the DCB. The weekly payment of milk price is made by the union by cheque which is credited to the deposit account of the concerned milk primary which in turn has asked its producer members to open their individual deposit accounts to which amounts due to them are transferred. For the DCB, the advantages are two-fold. The recovery of its loans can be ensured and simultaneously its efforts for mobilization of deposits are aided. Whatever may be the procedure for ensuring recoveries, it will be in the fitness of things if the milk union is entitled to a small commission, say, at 0.50 per cent, from the DCB on the amount of recoveries made by it for the bank.

6.36 In so far as refinance to DCBs with overdues under medium-term loans in excess of 50 per cent of the demand is concerned, it is understood that the RBI considers sympathetically the cases of banks whose overall recovery performance is quite satisfactory and in whose cases the outstandings under medium-term loans are around 10 per cent or below of the total outstandings. The RCS/apex bank may bring this fact to the notice of banks like the Aligarh DCB.

6.37 The linking between shareholdings and borrowings prescribed by the RCS in respect of medium-term loans including those for purchase of milch cattle, is 1 : 10. The same may have to be relaxed to 1 : 20 in the case of small and marginal farmers. Incidentally, it is this class of farmers which pools almost its entire milk production for supply to the union's dairy, for their personal consumption is meagre.

6.38 The most important question to be considered next is what should be the period of repayment of loan for purchase of milch cattle. To decide this issue, economics of maintaining one milch buffalo for one lactation period of 10 months followed by a dry period of 5 months, i.e., in all 15 months, is given in Table 7.

TABLE 7

	Expenditure in rupees for maintaining one milch buffalo		
	During lactation period of 10 months	During dry period of 5 months	Total for 15 months
<i>Expenditure</i>	(1)	(2)	(3)
Green fodder @ 20 kgs per day (rate Rs 5 per quintal)	300	150	450
Cattle feed @ 6 kgs per day (rate Rs 10 per quintal)	180	90	270
Concentrates @ 3 kgs per day during lactation period and 1 kg per day during dry period (rate Rs 100 per quintal)	900	150	1050
Medicines at average rate 20 paise per day	60	30	90
Cattle insurance premium at 4% per annum on Rs 2000	66	34	100
<b>Total expenditure for 15 months</b>			<b>1960</b>
<i>Income</i>			
If the milch buffalo is maintained as above, it should give an average milk yield of minimum 7 litres during the lactation period of 10 months. At Rs 1.50 per litre, the sale proceeds of milk will work out to			Rs 3150
<b>Surplus</b>			<b>Rs 1190</b>

Thus, after meeting the full cost of maintaining the cattle, a milk producer is left with a surplus of at least Rs 1000 during a period of 15 months which can be diverted by him to meet the

liability towards repayment of loan and interest thereon. In short, for the repayment of the loan of Rs 2000 with interest at 14 per cent thereon, he will have to be allowed three full lactation periods and counting the intervening dry periods, the total period will work out to 45 months. If a month or two after disbursement of loan are allowed for purchase of milch cattle, the period of a medium-term loan for the purpose may have to be 48 months or 4 years. The surplus left with the borrower works out to about one-third of the sale proceeds of milk. But, making provision for a minor short-fall in production, it will be safe to divert at least 40 per cent of the sale proceeds of milk towards repayment of the medium-term loan for purchase of milch buffalo over a period of 48 months. The repayment schedule should be so adjusted that a person pays every month of lactation a sum which takes care of no repayments during the lean period. It should be ensured that in a period of 16 months  $\frac{1}{3}$  of the loan amount together with interest on the outstanding balance is recovered from the borrower.

6.39 If as explained above, a period of 48 months is allowed to an individual producer for the repayment of loan for purchase of milch cattle, he should be able to find resources out of the sale proceeds of milk to properly maintain his milch buffalo both during the lactation and dry periods. In practice, however, this does not happen as often the available resources are diverted for meeting other family expenditure at the cost of neglecting the maintenance of milch cattle. The result is that the milk yield is adversely affected thereby putting the interests of the credit institutions as also the milk primary/union in jeopardy. The way out is to make arrangements for supply of cattle feed, concentrates, green fodder, medicines, etc., in kind on credit and recover the same from out of an additional deduction from the sale proceeds of milk. A cash credit type of accommodation can be considered for the purpose. The cash credit limit can be sanctioned at the beginning of the dry season with the condition that it should be brought to nil at the end of the following lactation period, when it will be considered for renewal. It will be seen from Table 7 that, for properly maintaining a milch buffalo over a period of 15 months, a total expenditure of Rs 1860 is incurred for obtaining the requisite cattle feed, concentrates, green fodder and medicines. Although there will be no receipts during the first five months of the dry period, there will

be receipts coming from time to time during the following lactation period of ten months. Thus, availability of credit for full expenditure during the dry period at Rs 420 plus one-fifth of the total expenditure during the lactation period of 10 months at Rs 288, i.e., in all Rs 708 or, say, Rs 700 should suffice. On this basis, a cash credit limit of Rs 700 can be considered per milch buffalo. Even if the borrower desires to cultivate his own green fodder, he may be allowed to make cash drawals on the cash credit limit to the extent of Rs 100 only, to meet expenditure towards labour, ploughing, etc., for such cultivation. Otherwise, all drawals on the limit should be allowed in kind. This means the milk union concerned will have to make arrangements for supply of cattle feed, concentrates, green fodder, etc., through the affiliated milk primaries. The cash credit account should automatically come to credit if additional 25 per cent of the sale proceeds of milk (i.e., over and above 40 per cent of such proceeds that will be diverted for repayment of medium-term loan) are adjusted to cash credit account. This, however, will be the position if the milk producer is regular in supply of his milk to the milk primary.

6.40 The main point is what should be the institutional arrangements for dispensation of such short-term credit. In view of the position discussed in paragraphs 6.34 and 6.35 above, the best agency for purveying such credit will be the re-organized pacs of the area which should fix such cash credit limits of individual producers on the basis of recommendations of the concerned milk primary/union. The former in turn can be sanctioned a suitable cash credit limit by the DCB. Keeping watch on the individual beneficiaries should be the function of the milk union/primaries. In so far as the DCB is concerned it should insist on the pacs bringing its cash credit account to credit for being eligible for the renewal of the cash credit limit sanctioned to it.

### *Milk unions*

6.41 The ability of the milk unions to ensure provision of various extension facilities through the milk primaries will depend on their own financial strength. With the re-organization of milk primaries and introduction of arrangements for supply of credit which have been proposed in the above paragraphs, milk unions

should be able to ensure adequate collection of milk to work their plants up to their optimum capacity. This itself will help the unions improve their financial position considerably. But one major constraint for the unions which are having their own plants is the burden of the government loan and interest with the backlog thereon. If the unions are to divert their surplus earnings, when they accrue as a result of adequate milk supply, towards meeting the above liability they will not be in a position to undertake the various extension functions expected of them. Already, by virtue of experience of running the dairy at Agra, the government may have realized that the running of a dairy involves an element of social welfare, especially because the prices of raw milk and pasteurized milk and milk products are regulated. This being the position, it may be appropriate for the government to consider actively the conversion of their loan into government share capital contribution with retrospective effect. If allowing retrospective effect for this purpose is not feasible, remission of the past interest may be considered.

6.42 Another aspect which merits consideration, in the interest of efficient functioning of the milk unions in the state, is to ensure that the capacity of the plants they may be having is fully utilized almost throughout the year. As the milk unions in the state operated independently of each other and as no attempt was made to co-ordinate their activities, the excess receipts by one during a given period could not be diverted to other unions where the plants operated much below their rated capacity. The Milk Commissioner of the GOUP who participated in our deliberations on the subject of dairying, was of the view that a state level Dairy Corporation charged with necessary powers to regulate the working of all the milk unions in the state might have to be registered for this purpose. The consensus among the members of the Team, however, was that the existing Provincial Co-operative Dairy Federation (PCDF) which was the federation of the milk unions in the state, should be, instead of a new Corporation, in a position to serve effectively the desired objective, if it was activated and organizationally and financially strengthened. We recommend, therefore, that the GOUP may take suitable steps to provide the existing PCDF with a strong capital base and complement of trained staff so as to ensure that it emerges as a

strong federation of all the milk unions in the state and that there is an effective organic link between the former and the latter. Further, the PCDF should be empowered to balance the milk supplies between the affiliated milk unions as also to control and direct the operations of the processing units.

6.43 Further, to enable the unions to undertake the functions of supply of green fodder, concentrates, cattle feed, etc., they may be allowed to deduct at least one or two paise per litre from the milk price and carry it to a separate development fund. The commission on recoveries of loans that will be received from the DCB of the district as proposed earlier should also be credited to the above fund.

#### *Co-ordination*

6.44 The success of the arrangements suggested above will depend on the ability of the unions and the Animal Husbandry Department in providing adequate health cover facilities for the milch cattle of the members of the milk primaries. For this reason it has been suggested that the secretary of the milk primary should be trained in first-aid work. For similar reasons, it is desirable for the Animal Husbandry Department to locate its stockmen centres at every roadside purchase centre of the milk unions. Besides, it may be advisable to cover some specific areas having potential for dairy development with integrated projects of the type launched at the initiative of the Milk Union of the Aligarh district. All this will call for full co-ordination between the milk unions on the one hand and the staff at all levels of the Dairy Development and Animal Husbandry Departments on the other. This aspect may be given due consideration by the concerned authorities in the state government and the Uttar Pradesh Rajya Dugdha Parishad recently constituted under the state's Milk Act of 1976.

#### *Conclusion*

6.45 We are confident that the various suggestions made by us with a view to bringing about a rapid development of the dairy business in the state on organized lines with full participation of the milk unions/primaries and the credit institutions as also the concerned departments of the state government will be considered in the right earnest by the concerned quarters.

## CHAPTER 7

### OVERDUES IN CO-OPERATIVE CREDIT INSTITUTIONS

7.01 THE projections made by us in Chapters 2 and 4 for the rapid expansion of institutional agricultural credit over the next five years can in reality be achieved, if a free flow of credit to all eligible borrowers throughout the state is maintained. One major obstacle which can impede the expected growth is not only the emergence of heavy defaults in future, but also the existence of past overdues if their level is out of normal proportions. For the state as a whole, the recovery performance of the co-operative credit institutions, in particular the UPCB and the DCBs, has no doubt been noteworthy in 1975-6. But there may be still certain areas in the state in which overdues, especially at the primary level, continue to be heavy and this may undermine the growth of business in such areas, thereby leading to shortfalls in the realization of the projected targets as also regional imbalances in the dispensation of agricultural credit. Such a situation should not be allowed to arise in the interest of development of agriculture. The problem of overdues in such areas will have, therefore, to be tackled effectively. Besides, it is necessary to suggest at this stage itself, the steps that may have to be taken to ensure that the position of overdues does not deteriorate in any district.

7.02 In view of the above considerations, we have in this chapter assessed the dimensions of the problem of overdues at the levels of the DCBs and the pacs, district by district. This analysis is followed by consideration of the steps that might be necessary to reduce the burden of overdues wherever they are heavy. Finally, the chapter deals with the action that may have to be taken to ensure prompt recovery of overdues in future in all areas in the state.

#### *Dimensions of the problem*

7.03 The DCB-wise position of the total overdues and the

chronic overdues, i.e., overdues for periods over three years, is available in columns 12(a) and 12(c) of Annexure 12. The total overdues at the DCB level at Rs 55.93 crores as on 30 June 1976 formed 47 per cent of the total loans and advances outstanding. The chronic overdues at Rs 15.56 crores formed 28 per cent of the total overdues. As on that date, 13 DCBs shown in Table 1 had overdues of 40 per cent or above of the demand.

TABLE 1

DCBs with percentage of overdues exceeding 40 per cent of demand as on 30-6-76				
		between 40 and 50 per cent	between 50 and 60 per cent	
BR	Jhansi	(40)	—	
CR	—		—	
ER	Faizabad	(45)	Balarampur	(55)
	Gorakhpur	(42)	Varanasi	(53)
	Mirzapur	(48)		
WR	Agra	(40)	—	
	Aligarh	(41)		
	Bareilly	(49)		
	Budaun	(40)		
	Etah	(48)		
	Mathura	(49)		
	Meerut	(45)		

However, what is important from the point of maintaining an unrestricted flow of funds is not the size of the overdues in amount or in relation to demand, but their magnitude as a proportion to firstly, the owned funds and secondly, the disposable internal resources of the respective institutions. The flow of funds from outside gets adversely affected progressively as the overdues exceed the disposable owned funds, the total owned funds, the disposable internal resources and lastly the total internal resources. Barring the Banda, Jalaun (BR), Allahabad (ER), Bijnor and Rampur (WR) DCBs, the overdues as on 30 June 1976 of the other 42 DCBs operating in the plane tracts of the state exceed their respective owned funds. In the Hilly region, while the overdues of Garhwal DCB exceed its owned funds, the overdues of the remaining seven banks are within their respective owned funds. Of the 12 DCBs in whose cases the overdues are within



their respective owned funds, they exceed the disposable owned funds, i.e., two-thirds of the total owned funds, in the case of Banda, Jalaun, Bijnor, Almora, Pithoragarh and Tehri Garhwal DCBs.

7.04 The forty-three DCBs in whose cases the overdues as on 30-6-76 exceeded the owned funds of the respective banks, include ten banks, the overdues of which exceed either the entire internal resources comprising the owned funds and total deposits or the disposable internal resources, i.e., two-thirds of the total owned funds and deposits. The names of these ten banks are given in Table 2.

TABLE 2

DCBs whose overdues as on 30-6-76 exceed		
	Owened funds and total deposits	Disposable internal resources, i.e., 2/3 of owned funds and deposits
BR	—	—
CR	—	Hardoi
ER	Balarampur	Mohanlalganj
		Basti
		Mirzapur
		Pratapgarh
		Varanasi
WR	—	Agra
		Bareilly
HR	—	Mathura

The above are the banks which may not be in a position to absorb their overdues at their level and in turn may incur defaults to the apex bank, unless their internal resources position improves or their overdues are brought down appreciably.

7.05 The DCBs whose disposable owned funds are fully locked up in chronic overdues, i.e., overdues over 3 years, also number ten as shown in Table 3.

TABLE 3

DCBs with chronic overdues in excess of 2/3 of owned funds	
BR	Hamirpur
CR	Kanpur
ER	Ghazipur
	Mirzapur
WR	Aligarh
	Bareilly
	Etah
	Etawah
	Meerut
	Shahjahanpur
HR	—

But in all the above cases, the chronic overdues are within the owned funds of the respective banks. Thus, considering the overall position, it can be said that the levels of total overdues or the chronic overdues as on 30 June 1976 do not pose any serious problem for the DCBs in the state barring a few exceptions.

7.06 For assessment of the dimensions of the problem at the primary level, one main constraint is non-availability of data in respect of many districts as on 30 June 1976. Going by the position as on 30 June 1975, which for the state as a whole is available in Annexure 22 and for the districts in Annexure 23 it can be said that overdues of the pacs in the state at Rs 76.08 crores exceed their total internal resources at Rs. 48.80 crores by Rs 27.28 crores. The chronic overdues as on 30 June 1975 at Rs 17.21 crores formed 22.6 per cent of the total overdues. There must have been some reduction in the level of total overdues in 1975-6. In respect of the 29 districts for which data of both the total overdues as well as the chronic overdues at the primary level as on 30 June 1976 are available (Annexure 24) it is seen that while the total overdues of pacs in these 29 districts had declined by 18 per cent during the year 1975-6, the level of chronic overdues was almost the same. In view of the above position, we have for the purpose of assessing the dimensions of the problem of overdues as on 30-6-76 at the primary level in the districts for which the relevant data are not available, gone by the above indicator of the position in respect of 29 districts for

which data have been furnished. The actual position has, however, been taken into account in the case of the 29 districts for which the data are available.

7.07 Proceeding on the above basis, we observe that the overdues of the pacs as on 30-6-76 in the districts of Jalaun (BR), Pratapgarh (ER), Etawah and Rampur (WR) as also in all the districts in the Hilly region barring Almora, i.e., in all 11 districts, will be within the owned funds of the institutions in the respective districts. In another four districts, viz., Banda (BR), Bijnor, Mainpuri and Saharanpur (WR), they will be within the internal resources of the institutions. But, in the remaining 40 districts, the overdues of pacs as on 30 June 1976 can be deemed to exceed the total internal resources of the institutions comprising owned funds and deposits. Thus, it may be said that the magnitude of the problem of overdues at the primary level in the majority of the districts continues to be such as would warrant special treatment.

7.08 As for the chronic overdues, the problem can be deemed as acute in the districts where the total overdues exceed 50 per cent of the loans outstanding and the chronic overdues one-third of the total overdues. The districts falling in this category number 11, as shown in Table 4.

TABLE 4

	Districts
BR	—
CR	Hardoi Kanpur Lakhimpur-Kheri Lucknow
ER	Allahabad Ghazipur Gorakhpur Sultanpur
WR	Aligarh Etah Shahjahanpur
HR	—

*Approach*

7.09 For tackling the problem of overdues in the co-operative credit institutions in UP, the overdues have been divided into two broad categories as the treatment of these will vary in the two categories. In the first category are included the more recent overdues, i.e., overdues arising in the year 1973-4 and subsequent years ending on 30 June 1976. The second category consists of all defaults arising in 1972-3 and previous years and subsisting on 30-6-1976. On that date these defaults would be three or more years old and could thus be classified as chronic overdues. For the reasons given earlier, the total overdues of pacs in UP as on 30 June 1976 may be placed at 18 per cent lower than the level obtaining at the end of 1974-5. But the chronic overdues may be placed at the same level that obtained at the end of June 1975. On this basis, the total overdues of the pacs in the state as on 30-6-76 may be placed at Rs 62.39 crores comprising overdues below 3 years at Rs 45.18 crores and the chronic overdues at Rs 17.21 crores.

*Non-wilful defaults*

7.10 We now consider the problem of overdues falling in the first category. The Overdues Study Team as also the Study Teams appointed by the RBI in the recent past for states like Maharashtra, Rajasthan, Madhya Pradesh and Bihar have recommended that, some relief is called for in the case of such defaulters as have defaulted in repayment of their dues for reasons beyond their control with a view to giving them and their institutions an opportunity to rehabilitate themselves. A defaulter in the above category, who may be termed a non-wilful defaulter, can be defined as one who could not repay his dues because his crop was extensively damaged by a natural calamity, but in whose case stabilization assistance which was introduced to meet such a contingency, was unfortunately not extended.

7.11 The question is what should be the objective criteria for defining a non-wilful defaulter in so far as the defaulters in UP are concerned. We have already indicated in Chapter 1 that some areas in the state, particularly in the Eastern region, are

often flooded while some other areas suffer from drought. A statement showing the district-wise position of villages affected by natural calamity during the years 1971-2 to 1975-6 is given in Annexure 35. It will be seen therefrom that crops in the districts from the Central and Eastern regions and the districts of Banda, Jhansi, Bareilly, Farrukhabad and Shahjahanpur were affected by natural calamity in the years 1971-2 and 1972-3. But as already indicated, defaults occurring in these years which are still subsisting will be treated separately as chronic defaults. However, the damage to crops in each or some of the years during 1973-4 to 1975-6 was also quite extensive in many districts from the Bundelkhand and Eastern regions as also in Hardoi, Rae Bareilly (CR), Bareilly, Etawah, Farrukhabad, Moradabad and Shahjahanpur (WR). As against this position, the UPGB had not borrowed any medium-term conversion loans from the RBI in the recent years, nor had extended such loans to DCBs from its own stabilization fund.

7.12 In the light of the above analysis, we recommend that all defaulters with cultivated holdings in villages affected by natural calamity in one or more years, i.e., where the *annewari* declared was 6 annas or less during the three-year period 1973-4 to 1975-6, should be considered as non-wilful and eligible for relief under a rehabilitation programme, provided their defaults had occurred during the period November 1973 to June 1976, with the exception of the following categories of borrowers:

- (a) those who have either deceived the society by showing false land holdings or crops with a view to securing more credit than they would have been otherwise eligible for, or have been issued fresh finance, although they were in default to their society;
- (b) those who had obtained loans for cash crops like sugarcane in conjunction with other crops, provided the income from the former is at least 75 per cent of their gross agricultural income;
- (c) those whose gross agricultural income is above Rs 5000 per annum; and
- (d) those who are income-tax assesseees.

The exclusion of defaulters in category (d) is necessary to deny

relief to those who no doubt may have small holdings and, therefore, low agricultural income, but in fact are having non-agricultural income of taxable level and are relatively affluent.

7.13 Assuming the repaying capacity of a borrower at 58.33 per cent (60 per cent for convenience of accounting) of the value of gross produce, the Overdues Study Team made an exercise to decide on the nature and extent of relief which might be given to non-wilful defaulters which is given in Annexure 36. We suggest adoption of the recommendations of the Overdues Study Team in this behalf, subject to certain minor modifications which are necessary as a different period has been reckoned to define a non-wilful default. Accordingly, we recommend that in the case of UP the nature and extent of relief to non-wilful defaulters defined in paragraph 7.12 above may be as under:

(i) *Default under one loan*

If the default is in respect of only one short-term loan, the amount may be converted into three-year medium-term (rehabilitation) loan. The annual repayments in respect of this loan together with the repayment of fresh short-term loan for current agricultural operations will be well within the borrower's repaying capacity.

(ii) *Default under two loans*

A member might have borrowed a short-term as well as a medium-term loan in a year and if that year was affected by natural calamity and if the member was not granted conversion under the normal stabilization arrangements, the default might be subsisting under both the loans. A six-year rehabilitation loan will be required to accommodate within the repaying capacity, the aggregate burden in respect of these two loans as well as the short-term loan for current agricultural operations.

(iii) *Default under three loans*

If the natural calamity recurs for the second consecutive year and the borrower is granted conversion facilities in the first

year, but denied rephasing in the second year, the default might be in respect of three loans, viz., a conversion loan, a short-term loan and a medium-term loan, the latter two having been borrowed in the second year of natural calamity. In such a situation, 50 per cent of the earliest converted loan in point of time, may have to be written off and the balance of this loan and the remaining two loans in aggregate can then be re-scheduled as a seven-year loan which will keep the annual repayments within the repaying capacity.

(iv) *Default under four loans*

If the calamity was for three successive years and if the borrower was granted conversion in the first year followed by rephasing in the second year, but denied re-scheduling facility in the third year, the default can be, though it may merely be a theoretical proposition, under four loans, viz., three short-term loans, including the one not converted in the third year and a medium-term loan. In such an extreme case, the write off may have to be for (a) the full amount of the first conversion loan and (b) 50 per cent of the second conversion loan. If this is done, the balance of the overdue loans can be re-scheduled as a seven-year loan.

(v) *Part repayment of defaulted amount as pre-condition for relief*

The current year (1976-7) is a normal year from the viewpoint of agriculture almost throughout the state. Besides, most of the defaulters eligible for relief might have enjoyed the benefit of one or two normal years during the three-year period 1973-4 to 1975-6. Such of those as are eligible for inclusion under the rehabilitation programme, but have also enjoyed the benefit of one or two normal years during the three-year period 1973-4 to 1975-6, should pay at least 25 per cent of the aggregate principal amount under default, together with overdue interest (but excluding penal interest), to be eligible for relief as indicated at items (i) to (iv) above, provided the current year (1976-7) is a normal year for them. However, if the aggregate payment as above exceeds 60 per cent of the value of gross produce of the

concerned defaulter, that part of the excess should be reduced from the principal amount required to be paid by the defaulter and the balance converted as a rehabilitation loan. Full payment of overdue interest (exclusive of penal interest) should, however, be insisted, even in cases where none of the preceding three years was a normal year. Further, it may be noted that on account of insistence on repayment of part amount of the principal in default before granting relief, the annual repayment schedule in respect of defaults under two to four loans, at items (ii) to (iv) above, can be suitably reduced and in the case of defaults under three or four loans there may not be any need to resort to write off a part of the aggregate defaulted principal amount as suggested.

(vi) *Penal interest*

As indicated at item (v) above, the entire overdue interest (exclusive of penal interest) will be recovered in all cases before granting relief under the rehabilitation programme. In this context, we are aware that the RCS has already issued instructions that no penal interest should be charged.

*Estimate of non-wilful defaults*

7.14 It may be worthwhile to have an estimate of the total defaulted amount that may be eligible for relief. A rough estimate of the amount that may qualify for conversion into rehabilitation loans, has been made district by district in Annexure 35 on the basis of overdues up to three years as on 30 June 1975 at the level of the pacs and the proportion of villages affected by natural calamity to the total number of villages in each of the three years, 1972-3, 1973-4 and 1974-5. Although the defaults committed in 1972-3 are not covered by the proposed rehabilitation programme, the estimate made for that year may be a rough indicator of the position in 1975-6 for the state as a whole, although the district-wise position may be different, as the districts affected in 1975-6 may not be the same as those affected in 1972-3. On this basis the non-wilful defaults may amount to about Rs 12.81 crores forming about 20 per cent of the total estimated overdues at the primary level at about Rs 62.39 crores as on 30 June 1976. Thus, the number of defaulters who may



qualify for relief may correspondingly be sizeable, say, around 4 to 5 lakhs. This is because, despite recurrence of drought/floods in many areas in the state, the DCBs have, by and large, refrained from extending relief under the stabilization arrangements. At the level of the UPCB, as against the total amount in its stabilization fund at about Rs 4.75 crores, the outstandings under medium-term conversion loans to the DCBs stood at Rs 59 lakhs only as on 31 December 1976. We suggest, therefore, that the DCBs in the state should not in future hesitate to extend stabilization assistance to all eligible borrowers whose crops are extensively damaged by a natural calamity and if and when such contingency arises, the UPCB should take a lead in the matter by advising well in advance the affected banks of the procedure to be followed in extending relief and for obtaining refinance for the purpose from it and the RBI.

*Financial arrangement—Non-wilful defaults*

7.15 No separate financial assistance is considered necessary to the concerned DCBs for conversion of non-wilful defaults into medium-term rehabilitation loans, as equivalent funds of the banks are already locked up in such overdues. However, as a result of such conversions, the term investments of some DCBs may exceed their term resources. Besides, the DCBs will take up a higher lending programme to finance, among others, the non-wilful defaulters and may, therefore, face difficulty in ensuring adequate non-overdue cover for the future borrowings from the UPCB. In view of this position, we reiterate the recommendation of the Overdues Study Team that the RBI may take a liberal view of the share capital requirements of such banks as have to provide sizeable relief to non-wilful defaulters. The period of repayment of the share capital loans may, however, be limited to the period of repayments allowed for rehabilitation loans.

7.16 In UP the period of rehabilitation loans may not go beyond six years and there may not be any necessity to resort to write off, as the on-the-spot studies of the pacs have indicated that, there are no borrowers having defaults under three or four loans.

7.17 The work of identification of non-wilful defaults and deciding the period of rehabilitation loans in each case may be taken up by Branch Level Assessment Committees comprising the branch manager of the DCB, the concerned supervisor, the Assistant Development Officer (Co-operation) of the block and a non-official connected with a pacs from the area. The whole work may be completed as early as possible, but not later than 31 May 1977 so that the non-wilful defaulters become eligible for fresh finance and are actually released such finance in time for *kharif* 1977.

### *Chronic defaults*

7.18. Next we turn our attention to the question of chronic defaults, i.e., overdues falling in the second category which we estimate may be at the level of around Rs 17 crores at the primary level as at the end of June 1976. For obvious reasons, the recovery of such defaults may normally be through coercive action and will be a time consuming process. Besides, a portion of these defaults may be unrealisable. As we have indicated in Chapter 2, the GOI have already approved the cases of 16 DCBs for assistance under the Central Sector Plan Scheme for the Rehabilitation of Weak Banks. Further, the GOUP have recommended to the GOI, the cases of another 14 banks for similar assistance. Thus in all 30 DCBs will get the benefit under the above scheme. Under this scheme, assistance is available from the GOI for writing off a portion of bad and doubtful debts, accumulated losses and other overdues over three years subject to certain terms and conditions including release of a matching assistance for the purpose by the GOUP and assistance at prescribed rate from the UPGB when the chronic overdues paralyse the working of the banks and render them unserviceable as channels for purveying credit flowing from the higher financing agencies.

7.19 Although the write off as above is limited to certain categories of loans, the quantum of assistance is related to the total overdues over three years and the amount of bad and doubtful debts and accumulated losses and the same is provided in advance to improve the liquidity of the DCBs which stands eroded consi-

derably by the chronic overdues. The point is how best the assistance available as above can be utilized so that the DCBs concerned and the pacs are able to enjoy larger credit limits from the higher financing agencies and in turn help adequately the non-defaulter cultivators in their area, even before the process of assessment of chronic overdues of the institutions and the subsequent writing off of the unrealisable dues is not complete. Secondly, whether such assistance as available under the GOI scheme can be thought of for the other 25 DCBs not covered, or not likely to be covered by the GOI scheme. As regards the first issue, the desired objective will be fully served, if all chronic defaults of the institutions are blocked in a separate collection account within the institutions themselves and the demand in respect of the dues so blocked is spread over according to the expected time-schedule of recovery, which in majority of cases may be through long drawn out coercive action. At the same time it is necessary to ensure that the facility is extended only to such DCBs as are equipped to ensure an improved recovery performance of their future demand. Further, as regards the second part of the issue under consideration, we feel that no distinction may be made between a DCB (and its affiliated pacs) covered by the GOI scheme and a DCB not so covered, as a separate state level scheme on the lines indicated later can be considered for the latter type of DCBs. In result, we recommend that the chronic defaults, both at the primary and intermediate levels, may be blocked in a separate collection account in respect of all those DCBs as are in a position to attain a minimum recovery of 60 per cent as on 30 June 1977 in relation to the demand for the year 1976-7. The action for blocking of such defaults in a collection account may be taken on the lines indicated in the paragraphs that follow.

7.20 As already indicated, the chronic defaults are to be blocked in a separate collection account within the institutions themselves both at the primary level as well as at the level of the DCBs. At the level of pacs, all loan accounts in default for over three years according to the date of original advance, i.e., ignoring the date on which the loan was, *prima facie*, renewed merely through a book entry, may, inclusive of interest receivable but excluding penal interest, be transferred to a separate loan ledger

called 'Loans in collection account' ledger. In the general ledger of the society, a new account styled 'Loans in collection account' may be opened with debit balance equivalent to the total of all loan accounts transferred to the ledger for loans in collection account. Another new account may be opened in the general ledger of the society styled 'Borrowings from the central bank under collection account' to match the debit balance under 'Loans in collection account'. However, the share capital of the society held by each chronic defaulter should be transferred to a third new account in the general ledger which may be known as 'Paid-up capital in collection account' and the borrowings from the central bank in collection account should be reduced to that extent. Thus, if the dues from the defaulters in collection account amount to Rs 10,000 and those defaulters have contributed Rs 1,000 to the share capital of the society, the position will be as under:

	<b>Credit Rs</b>	<b>Debit Rs</b>
Paid-up capital in collection account	1,000	Loans in collection account
Borrowings from the central bank in collection account	9,000	10,000
	<b>10,000</b>	<b>10,000</b>

At the DCB level, a separate ledger, as also a new account in the general ledger for loans to societies in collection account, will have to be opened. The balance in respect of each society in collection account will correspond to the borrowings from the DCB shown by the society in collection account in its books. Thus, out of the existing outstanding loan balance against the society at the DCB level, corresponding amount may be transferred to the loan account of the society in collection account in the books of the DCB. As regards the fund necessary to match the principal of loans in collection account at the DCB level, it is presumed that the assistance under the Central Sector Plan Scheme held under 'Rehabilitation Fund for Weak Pacs' account at the level of DCBs would be adequate for the purpose

and in the case of those DCBs which are not covered by the Scheme, assistance for the purpose may be provided by the GOUP and the UPCB to the extent of 2/3 of the eligible amount to be shared equally and the balance, i.e., 1/3 amount may be provided by the concerned DCB.

7.21 The chronic defaults blocked in collection account as above will be of two types, viz., (a) the defaults which can be accounted for and can, therefore, be recovered over a period of time, say, three years and (b) defaults which are unaccountable representing the cases of loans without documents, misappropriation of recoveries, *benami* loans or loans otherwise irrecoverable, etc. The defaults of the second type may have to be written off by debit to 'Rehabilitation Fund for Weak Pacs' account which will be a fund constituted under the GOI scheme or the state level scheme proposed by us. To start with, blocking of the chronic defaults in a collection account, both at the level of the pacs and the concerned DCBs on the lines indicated above, may be completed by 31 December 1977. Thereafter, a branch-level Assessment Committee comprising the branch manager, the concerned inspector/supervisor of the DCB, the co-operative extension officer of the block and a non-official from the area should investigate society-wise every individual blocked loan case to decide, whether the defaulted amount can be accounted for and recovered over a period of time or, whether the default is unaccountable and has to be written off. The investigation of the Assessment Committees should conform to the guidelines for the purpose which may be issued by the RCS. The proposals of the Assessment Committees in a district may be put up for final approval to a 'District Level Review Committee' comprising the Chairman and the Secretary of the DCB, the ARCS of the district and a representative of the UPCB. The decision of the 'District Level Review Committee' may be ratified by the board of directors of the concerned DCB. The whole work may be completed by 30 April 1978 by which date the aggregate amount of loans which are to be written off and which are to be recovered through coercive action should be available.

7.22 In order to enable the DCBs to use the assistance provided under the Central Sector Plan Scheme on the lines sug-

gested by us in paragraphs 7.19 and 7.20 above, we suggest that the GOUP may move the GOI not to insist on limiting the write off to only amounts due from small farmers, because once the defaulter has been identified as *benami* or not traceable or not having any assets, it is immaterial whether he is a small or big farmer as per the loan records.

7.23 Further, in so far as loans in collection account other than those to be written off are concerned, it is suggested that the demand in respect of such loans during the three-year period 1978-9 to 1980-81 may be reckoned at one-third of the amount in the collection account thereof at the end of each co-operative year. We recommend that this arrangement may be accepted by the RBI for the purpose of deciding the eligibility of the DCBs for short-term and medium-term agricultural credit limits from it, provided the UPGB agrees to make good the shortfall between the actual recoveries and the demand so reckoned, by way of sanction of a term loan for equivalent amount if the balance available in the 'Rehabilitation Fund for Weak Pacs' account over and above the amount earmarked for write off, is not sufficient to cover the shortfall in recoveries. Such additional assistance from the UPGB, if warranted, will go to improve the liquidity of the DCB concerned. The apex bank's loan may be repayable as and when corresponding recoveries are actually made and carry interest at a rate higher by at least 2 per cent than the normal lending rate for short-term agricultural purposes. Besides, the concerned DCB should appropriate out of its profits annually a sum equivalent to 5 per cent of the shortfall in recovery to the bad debt reserve. The involvement of the UPGB as proposed above will ensure that due pressure is exerted on the DCBs for the recovery of wilful defaults as also instalments of re-scheduled loans and that the banks do not encounter a difficult financial position if the expected level of recoveries does not actually forthcome.

7.24 The arrangements proposed in the above paragraphs for tackling the problem of chronic defaults will be of great help to the DCBs and re-organized pacs, inasmuch as, the burden of old defaults on the DCBs will not obstruct their claiming higher credit limits from the RBI, thus enabling the banks to shoulder

increased responsibilities in the matter of lendings envisaged by us for them. The pacs in turn will be in a position to route a larger quantum of credit through them and improve substantially their effective cover. We would, therefore, urge the GOI, the GOUP and the RBI to accept our proposal as a special consideration for the co-operative credit structure in UP.

*Wilful defaults*

7.25 The action proposed by us in respect of certain categories of the non-wilful defaulters and chronic defaults will together take care of overdues amounting to about Rs 20 crores or roughly 1/3 of the total estimated overdues at the primary level of about Rs 62 crores as on 30 June 1976. Unless, effective and energetic steps are taken for the recovery of the balance overdues of Rs 42 crores, full benefits of the measures proposed by us in the earlier paragraphs to rehabilitate the non-wilful defaulters and to clear the institutional channel of the backlog of overdues, will not accrue. The record recovery achieved in the year 1975-6 has shown that a concerted drive for recovery undertaken at the instance of the Co-operation Department with the active support of the state government can greatly help achieve the desired results. We are confident that similar initiative on the part of the field staff of the Co-operation Department and the GOUP in future will ensure that the recovery of the loans due for repayment does not pose any problem, especially if the managements of the co-operative credit institutions at all levels ensure their wholehearted participation in this major task which is of prime importance from the view point of the progress of the institutions themselves. In short, the implementation of our recommendations for overcoming the problem of non-wilful and chronic defaults should be subject to a commitment on the part of the GOUP to actively involve itself in the recovery drive, by ensuring concerted action on the part of departmental staff with full involvement of the non-official leadership managing the affairs of the co-operative credit institutions. Besides, we would like to consider in the paragraphs that follow, certain aspects relating to financial supervision over the pacs, the institution of "Kurk Amins" and the measures necessary for ensuring prompt disposal of arbitration references and execution petitions which

should greatly facilitate not only the recovery of overdues, but also the prompt recovery of current loans on or before their due dates.

### *Supervision*

7.26 Prior to 1967, the credit supervisors in UP were the employees of the Uttar Pradesh Co-operative Union or better known as the Provincial Co-operative Union (PCU). In terms of a circular issued by the RCS in October 1967, their services were placed under the control of the respective DCBs. The power of dismissal, removal and termination of service were, however, retained by the PCU. In a few districts like Lakhimpur-Kheri, Muzaffarnagar and Rampur, however, supervisors were the employees of the respective DCBs and, therefore, under the bank's complete control. In order to curb indiscipline among supervisors and in turn improve the recovery performance of the co-operative credit institutions, the state government considered it appropriate to constitute a centralised cadre of supervisors. Consequently, in terms of government notification issued on 13 February 1976, the PCU has been recognized as the Co-operative Federal Authority for the management of the cadre of supervisors and all supervisors have become its employees. The management of the cadre is governed by the 'Co-operative Federal Authority (Business) Regulations 1976' framed by the Federal Authority and approved by the RCS in terms of order dated 23 April 1976. In terms of RCS's letter dated 9 September 1976, the Federal Authority is required to function through a state level Management Committee with the chairman of the PCU as the chairman, its secretary/managing director as the Member-Secretary and 10 other members who include the chairman and the MD of the UPCB and a representative of the DCBs, who will be nominated by the RCS from among the chairmen of the DCBs in the state. This state-level committee has powers to decide all policy matters, including those relating to recruitment, training, fixing region-wise/district-wise strength of supervisors and to transfer staff members from one region to another. The Regional Deputy Registrar of Co-operative Societies is the appointing authority in respect of supervisors from his region and will be the officer responsible for all matters con-



nected with the administration of the cadre in the region. He has also powers to transfer supervisors from one district to another within the region. But, barring the power of transfer of supervisors from one district to another within the region, he is expected to decide all other matters in consultation with a Regional Committee of which he is the Chairman and Convenor. This Committee will have four nominated members, two of whom will represent the DCBs from the region by rotation; the remaining two being the ARCS of the districts other than those served by the DCBs having their representatives on the Committee. The ARCS of the districts from the region will again be on the Committee by rotation. There is also provision for a District Level Committee with powers to control, supervise and guide the work of supervisors posted to the district and also transfer them from one place to another within the district. The composition of the District Level Committee is as under:

ARCS of the district	..	Chairman
A director of the DCB nominated by the board of directors	..	Member
District Superintendent of the Uttar Pradesh Co-operative Federation (PCF)	..	Member
Secretary of the DCB	..	Member-Secretary

As for the cost of maintaining the cadre, every DCB is required to pay to the PCU Rs 8,500 per supervisor per annum towards his salary, TA/DA, PF, gratuity, etc.

7.27 The arrangements made as above have enabled the authorities to transfer, within the region, supervisors who had not moved from their place of posting for over a decade. This in turn has helped curb the perpetration of malpractices on the part of the supervisors and improve the quality of supervision. This is no doubt a welcome feature. However, the matter may have to be considered from another angle. It has been recognized that financial supervision over the pacs should be the

responsibility of the DCBs and, therefore, control over the supervisors should vest in these banks. In fact, the recommendation regarding automatic removal of the board of directors of a DCB if the bank's overdues exceed 60 per cent of the demand for two consecutive years which has been adopted in UP, was made by the Overdues Study Team subject to the transfer of the responsibility of supervision over the societies to the DCBs. In UP, however, because of the new arrangement, supervisors are not under the administrative control of the DCBs, although their salaries are paid by the banks. But since the GOUP have gone ahead with the constitution of a cadre for supervisors, we suggest that the government may take immediate action to place the credit supervisors for their day-to-day work under the effective control of the Executive Officer/Secretary of the DCB and to arrange for the evaluation of their work on the basis of annual reports from the above officials of DCBs.

7.28 Further, in the above context, we would like to refer to the recommendation in the Staffing Pattern Report regarding duties of the supervisors and control over them by the DCBs. A supervisor according to existing instructions of the RCS, is required mainly to inspect each society under his charge once in every four months and help the societies in preparation of credit limit applications, statement of accounts and other returns, etc. The Staffing Pattern Report has suggested that the supervisor should also be made responsible for increasing the loan business, enrolment of new members, particularly of small farmers and weaker sections, encourage societies in undertaking non-credit business and ensure on the part of their managements prompt recovery of their dues. In the matter of control over the work of supervisors, this Report has suggested that subject to overall control of the secretary of the DCB, the branch managers of the branches to which the supervisors are attached, should be empowered to approve the tour programmes and sanction their leave, etc. The branch manager should also be the primary official to record the confidential report on the work of the supervisor. We suggest that the GOUP may give serious consideration to the recommendations in the Staffing Pattern Report in this behalf for implementation. At the same time, it is necessary to ensure that a supervisor is required to exclusively attend to the work of the bank and the societies only. The departmental work

could be taken care of by the concerned Additional District Co-operative Officer who may not be burdened with the inspections of the societies, etc., as the same work would be taken care of by the supervisors. He may only devote complete attention to promotional duties and quasi-judicial functions in regard to arbitration cases inclusive of duties as he may be required to perform consequent to arrangements suggested by us later in this chapter.

### *Kurk Amins*

7.29 During the zonal discussions which we had with non-officials and officials working in the field, a suggestion was made that the machinery of 'Kurk Amins' that exists in the state for execution of co-operative awards, should be dispensed with. In Uttar Pradesh, once an award for the recovery of loans due is passed, the execution thereof for recovery by attachment and sale of defaulter's property is left to the 'Kurk Amins' who are appointed by the District Collector and paid remuneration in the form of commission as a percentage of the amount actually realized. To pay the 'Kurk Amins' as also to meet the expenses incurred in undertaking the recovery drive, collection charges are levied on the defaulter at 10 per cent of the principal amount due from him. The 'Kurk Amin' is a contract worker and is neither an employee of the government nor the DCBs. It is, therefore, not possible for the Co-operation Department or the DCBs to review the work done by them and ensure prompt disposal of execution petitions on their part. In such a situation, instead of continuing with the institution of 'Kurk Amins' in its present form which is ineffective, it is desirable to create a permanent machinery within the co-operative fold for execution of awards as suggested in paragraphs that follow.

### *Speedy disposal of award cases/execution petitions*

7.30 A statement showing the district-wise position of pending award cases and execution petitions as on 30 June 1976, is given in Annexure 37. It will be seen therefrom that as on that date as many as 3.02 lakh award cases involving Rs 13.26 crores and 2.86 lakh execution petitions involving Rs 13.66 crores were pending disposal/execution. These figures include all types of award references including those in respect of long-term loans,

cases of misappropriations, etc. But even if it is presumed that one-half of these references relate to the recovery of short-term and medium-term agricultural loans, the pace of disposal of award cases and execution petitions cannot be considered satisfactory. In Madhya Pradesh, each district has one ARCS specially for passing awards. As for execution, one or two senior inspectors of co-operative societies in Grade I are posted as Recovery Officers in each DCB. The Recovery Officers have all powers in so far as execution of awards are concerned, including the one relating to the proclamation of sale and the fixing of auction date. The officers of the DCBs including the credit supervisors are authorised to perform the duties of sale officer. In the case of UP, we suggest that awards may be passed by the ARCS as at present and in case the number of award cases is large, one additional ARCS may be posted specially for passing the awards. In so far as execution of awards is concerned, the powers to act as Recovery Officer may be vested in the concerned Additional District Co-operative Officer for all awards up to a certain amount, say, Rs 500 and in the ARCS or Additional ARCS, as the case may be, if the decreed amount exceeds this ceiling. The powers of Recovery Officer should include powers to proclaim sale and fix auction date. Further, the office of the Additional ARCS, wherever deemed necessary, may be located in the premises of the head office of the concerned DCB. One view, however, was that the powers of deciding arbitration cases may be with the Sub-Divisional Magistrates (SDM) and further, *Tehsildars* from the Revenue Department may be appointed as the Recovery Officers. But, considering the workload on the SDM as well as difficulties involved in securing the services of the *Tehsildars* for this work, the consensus among the members of the Team did not favour such an arrangement.

7.31 The sale officers may be the 'Kurk Amins' as at present for the work of actual attachment of the defaulter's property and conducting auction for its sale. But instead of engaging their services on contract basis as at present, their appointments may be regularised as government servants, which will enable the field staff of the Co-operation Department to control their work and ensure prompt disposal of execution cases. Besides, wherever the workload on the 'Kurk Amins' is heavy, the RCS may consider

empowering the staff of the DCBs, particularly the supervisors, to perform the duties of sale officers for which purpose they may be entitled to full protection that is available to public servants in the discharge of their statutory duties. The collection charges as levied at present at 10 per cent of the amount decreed may be continued to be recovered and transferred to a separate fund known as the 'Collection Fund' to be maintained with the concerned DCB. Suitable rules may be framed for the use of this fund which may be operated by the ARCS and should be subject to the audit by the government auditor. The salaries of the 'Kurk Amins' should be a charge on this fund and the deficit, if any, should be borne by the state government.

7.32 The district level officers of the Co-operation Department have not been provided with vehicles which has proved to be a major constraint in performing their promotional and recovery functions effectively. This is particularly true if the district officers are posted in the Hilly region. It is suggested that the GOUP may arrange to provide vehicles to each of the ARCS at the earliest; preference being shown in respect of those posted in the Hilly region.

### *Conclusion*

7.33 We have in this chapter suggested some measures for tackling the problem of overdues of the co-operative credit institutions in UP. The adoption of these measures coupled with continued concerted efforts for recovery of dues should help the institutions to maintain the expansion of flow of credit through them and thus fulfil the task of meeting the credit needs of short-term agricultural production as per the projections made by us earlier in Chapter 4.

## CHAPTER 8

### MANAGERIAL AND OPERATIONAL ISSUES

8.01 THE analysis contained in the earlier chapters of this report brings out clearly that the working of the co-operative credit institutions in UP has witnessed an all-round improvement since 1975-6. In addition to the excellent record of the UP CB and the DCBs in the spheres of deposit mobilization and recovery of loans, one major achievement has been the completion of the programme of re-organization of pacs, except in the Hilly region where this work is expected to be completed shortly. We have noted with satisfaction these developments and have, therefore, chalked out an ambitious five-year development programme for the co-operative credit institutions in the state. The success of this programme will depend on the ability of the institutions at all levels to function effectively and efficiently. Recognising fully, therefore, that the institutions should be managed by trained and competent personnel, the RCS has taken some steps to constitute certain cadres and to finalise organizational/staffing pattern for the DCBs and their branches. The latter action has been taken in pursuance of the recommendations contained in the Staffing Pattern Report and we are confident that the other recommendations contained in the said Report and certain recommendations relating to the UP CB made by us in Chapter 2 of this report, will be implemented at an early date.

8.02 We would, however, like to consider certain issues relating to the boards of directors of the DCBs and the cadres for key personnel of these banks and for the secretaries of pacs, which aspects we have included in Section I of this chapter. Besides, certain relevant operational matters have been discussed in Section II of the chapter.

## SECTION I

## MANAGERIAL ISSUES

8.03 Our observations on the managerial aspects considered in this section have been made keeping in view the action already initiated by the GOUP and possible improvements that can be effected without disturbing basically the steps that have been taken.

*Boards of managements of DCBs*

8.04 The board of directors of an institution like the DCB which largely comprises the elected non-official representatives ensures full involvement of the non-official workers/leaders in the formulation of plans and policies of the institution within the framework of its byelaws. Thus, existence of an elected board of directors is very necessary from the view point of effective implementation of the policies and plans in the field. However, in UP a large number of boards of directors of the DCBs, i.e., as many as 36 out of 55 were under supersession as at the end of December 1976. In the majority of the cases, failure to conduct elections before the expiry of the term of the then existing boards or in accordance with the relevant amended provisions in the State Co-operative Societies Act, has warranted the extreme step of supersession.

8.05 In the Staffing Pattern Report, preparation of panel of departmental officers, not below the rank of ARCS, with adequate background and experience in banking has been proposed for being posted as full-time administrators. Finding such officers for whole-time work has posed a problem, because the number of banks with superseded boards, is very large. As stated earlier, this situation has arisen mainly because of failure on the part of the managements of many banks to hold fresh elections in time. The way out is to incorporate a provision in the State Co-operative Societies Act itself for some self-acting system of holding fresh elections prior to the date on which the term of existing board/committee of management is due to expire. In Maharashtra, a new chapter number XI-A containing Sections 144A to 144Y has been incorporated in the Maharashtra Co-operative Societies

Act, 1960 for this purpose. In terms of these provisions, the District Collector is required to conduct elections to the boards/committees of management of certain specified societies, including the DCBs, sometime prior to the date on which the term of office of the retiring members is due to expire. The term District Collector includes the Additional Collector or any officer not below the rank of a Deputy Collector appointed by the state government in this behalf. The expenses for holding the elections are to be met by the concerned institution for which it has to make an advance deposit with the Collector, who is also authorised to fix the date of election, appoint returning officer and other officers, etc. Disputes relating to any election so held are referred to the Commissioner of the concerned division, whose decision shall be final and conclusive and shall not be called in question by any Court. It is reported that for speedy elections a legislation on some such lines is being drafted by the RCS. This is a very welcome step. We would, however, suggest that action for bringing the legislation into force may be taken quickly so that an effective self-acting system of holding elections to the boards of the management of co-operative banks will stand introduced in the state.

#### *Cadre of primary secretaries*

8.06 With the re-organization of pacs as mentioned in paragraph 3.27 of Chapter 3, the number of societies in UP will be around 8000 including about 530 LSS and 248 fss. With a view to providing the service of a full-time and trained secretary to every re-organized society, the state government have, in terms of notification No. C-91/XII-C-2-1976 dated 19 August 1976, framed the 'Uttar Pradesh Primary Agricultural Co-operative Credit Societies Centralised Service Rules, 1976' for constituting a cadre for the secretaries of pacs. As stated in paragraph 3.31 of Chapter 3, 6000 suitable personnel are expected to be available for appointment in the cadre, out of the staff with the erstwhile pacs and accordingly for the balance posts, 2000 candidates have been screened for appointment and their job-oriented training for a duration of 3 months is being arranged through 19 training centres all over the state. The GOUP may also arrange for a



similar training, in a phased manner, for these 6000 personnel who will be selected from the existing staff.

8.07 Supervision and control of the cadre has been vested in a State Cadre Authority (SCA) and two committees, viz., the Regional Administrative Committee (RAC) and the District Administrative Committee (DAC). The SCA is the policy making body which will issue guidelines to the two Administrative Committees for the management of the cadre. The RAC will supervise and control the work of the DACs as well as arrange for recruitment and training of the cadre personnel in the region. The DAC will function as the appointing authority of the cadre secretaries in the district and exercise supervision and control over them. In terms of Rule 13(3), the chairman of this Committee (who shall be the chairman of the DCB) will have the power of suspending a cadre secretary from the district subject to prior concurrence of the ARCS. This position is anomalous inasmuch as certain decisions of the chairman would require approval, of not the Committee, but an individual member of the Committee. Since the decisions of the chairman in this respect can, in the event of miscarriage of justice, be revoked either by the DAC or on an appeal by the RAC, prior concurrence of the ARCS is redundant and may be done away with. It is reported that in some districts there is an erroneous impression that all decisions of the DAC will require approval of the ARCS before implementation. It is necessary to remove this impression also by issue of suitable clarification to avoid unpleasant situations.

8.08 For the purpose of posting of secretaries from the cadre, the societies have been classified into four categories on the basis of annual lending in the previous co-operative year. Higher grade secretaries will be posted in societies which have disbursed larger quantum of loans. The adoption of the principle of posting better paid and equipped secretaries in bigger societies is sound. But, the annual lendings of individual units are subject to variations and if the incidence of defaults is, for one reason or the other, very high, they may steeply decline, although the total loan business of the society may not undergo any change. Categorization of the societies on the basis of annual lendings will create considerable administrative difficulties in the day-to-day manage-

ment of the cadre. It is, therefore, advisable to classify the societies into various categories on the basis of total outstanding loans and advances as on 31 December of the previous co-operative year.

8.09 While the vacancies in Grades II and III in the cadre are required to be filled by promotion of secretaries from the grade immediately below, on the basis of seniority-cum-merit, there are no avenues of promotion to Grade I for secretaries in Grade II as the vacancies in Grade I (for posting in societies with annual lendings of Rs 5 lakhs or more) are to be filled by appointment of supervisors made available by the PCU or from the ADCOs that may be made available by the RCS. In regard to the posting of supervisors or the ADCOs as secretaries in Grade I cadre, we are of the view that such an arrangement is not desirable as supervision over the concerned societies which in almost all the cases are the LSS, will be exercised by personnel from the same cadre who will be working either as supervisors of the DCBs or ADCOs in the Department. Besides, the existing arrangement leaves no promotional avenues for the secretaries in Grade II. We, therefore, suggest that the services of the supervisors or the ADCOs may not be utilized for posting as secretaries of the LSS. Instead, suitable persons from the cadre of secretaries in Grade II may be considered for promotion to Grade I. Further, the latter may be given preference by the PCU and the GOUP at the time of recruitment to the posts of credit supervisors and ADCOs respectively.

8.10 In terms of Rule 25, fresh recruitment to the lowest grade in the cadre, i.e., Grade IV, will be made by a selection committee comprising the Deputy Registrar of the region (Chairman), ADM (Planning)/District Planning Officer of the district and a nominee of the RCS. Thus, there is no representation to any non-official on the selection committee. Had the selection of candidates been entrusted to the Regional Administrative Committee or the District Administrative Committee, there would have been involvement of non-officials in the selection of candidates, as on each of this committee, there is representation to non-officials. In such circumstances, the nomination by the RCS on the selection committee may be restricted to non-officials to ensure their involvement in the selection of candidates.

8.11 In terms of Rules 18 and 19, contributions from the pacs are to be pooled in a separate account styled 'State Primary Centralised Service Fund' maintained at the level of the DCBs and any deficit arising in maintaining the cadre secretaries may have to be met on a 50 : 50 basis by the UPGB and the DCBs, if so directed by the RCS. Thus, it is evident that a separate fund will be maintained in each district and any shortfall minus the government subsidy, if any, will have to be equally shared by the concerned DCB and the UPGB. The principle of pooling contributions from the societies at the state level with a view to keeping the need for external assistance to the minimum by setting off deficits in relatively less developed districts against the surpluses arising in affluent districts, has been ignored. In order to keep the need for the state government subsidy and the burden on the UPGB/DCBs to the minimum and with a view to ensuring that the scheme becomes self-supporting within a short period, the pooling of contributions at the state level is necessary. The DCBs may also contribute to the cadre fund in relation to their loans business and the shortfall thereafter may be made good by the GOUP by way of grant-in-aid. This will avoid the necessity of providing managerial subsidy except for the initial 2-3 years by the GOUP and reduce the burden on the latter.

8.12 Further, in order to ensure that there are no arrears in the recovery of contributions from the pacs, the Rules may specifically provide that recovery of contribution from every society will have precedence over the recovery of interest, etc., and will be a first charge on the remittances from it to the DCB. This will keep the cases of defaults requiring coercive action as provided in existing Rule No. 16, to the bare minimum.

8.13 Keeping in view our observations in paragraphs 8.11 and 8.12 above, we recommend action on the following lines for collection of contributions from the pacs, pooling of such contributions in a cadre fund at the state level and administration of the Fund:

- (i) Contributions to the cadre fund may be collected from the societies as well as the DCBs in relation to their short-term and medium-term loan business. In the case of

societies, the contribution may be at the rate of 1.30 per cent of the loans borrowed by a society during the year from the DCB and these may be credited to the state level cadre fund. The DCBs may themselves contribute to the said fund at the rate of 0.10 per cent of the short and medium-term loans issued to them in a year by the UP CB. However, unlike a DCB, the commercial banks where they are acting as cfas, may not make contributions to the cadre fund, but lend to the societies financed by them at a rate lower by 0.10 per cent than the rate they would have otherwise charged to the societies and recover from the latter for transfer to the cadre fund a contribution at 1.40 per cent of the loans issued by them to the societies.

- (ii) The contributions recovered from the societies in a district should be passed on to the account of the State Cadre Fund with the UP CB according to the directions of the SCA.
- (iii) The management of the 'Cadre Fund' at the state level should be the responsibility of the SCA which should make suitable allocations from the fund to different DACs for meeting the salaries of the secretaries in their respective districts.
- (iv) The SCA may require the DAC to manage that portion of the Cadre Fund which is earmarked and made available to it.

Suitable amendments may be carried out in the 'Uttar Pradesh Primary Agricultural Co-operative Credit Societies Centralised Services Rules, 1976' to incorporate our above recommendations.

### *Economics of the cadre*

8.14 We have noted in paragraph 8.06 above that arrangements have been made to post full-time paid secretaries in all the 8000 re-organized pacs and that, as noted in paragraph 8.08 above, their posting will be on the basis of loan business handled by the pacs. In the light of these proposals and the rates of contributions, etc., suggested by us in paragraph 8.13 above, we have made an exercise to work out the economics of the cadre in the paragraphs that follow.

8.15 On re-organization, the total number of societies will be, say, 8000 which will include 530 LSS and about 250 fss. The question of providing services of a secretary from the cadre does not arise for the fss as the cost of its Managing Director will be borne by the sponsoring bank. In the case of remaining societies, the postings of secretaries are proposed to be done by the GOUP as in Table 1.

TABLE 1

Category I	—	Annual lending in the preceding co-operative year	—	Rs 5 lakhs or more
Category II	—	—do—	—	Rs 3 lakhs to Rs 5 lakhs
Category III	—	—do—	—	Rs 1 lakh to Rs 3 lakhs
Category IV	—	—do—	—	Less than Rs 1 lakh

We have, however, suggested in paragraph 8.08 that the categorization should be on the basis of outstandings at the end of 31 December of the previous co-operative year. What has been indicated as annual lendings in Table 1 have been assumed by us as outstandings for working out the strength of secretaries in the various categories. We have no data about the loan business of the re-organized pacs. However, on the basis of size of loan business available in respect of 7941 societies as on 30-6-1976, which is given in Table 2 we have projected the distribution of 6558 re-organized pacs in the plane tract in the same proportion.

TABLE 2

Loan business (Rs lakhs)	Distribution of 7941 societies as on 30-6-76	Projected distribution of 6558 re-organized pacs
Less than 3	6638	5475
3 to 5	788	655
Above 5	515	428

The 500 LSS in the plane tract are deemed to have a business of over Rs 5 lakhs. In the case of hilly areas, it is expected that there will be around 700 societies, including 30 LSS and 2 fss. In the

case of these societies, 30 LSS are deemed to have business of Rs 5 lakhs and above and the remaining societies, though the business may be, in some cases, below Rs 3 lakhs or Rs 1 lakh are considered as requiring the services of a secretary in category II in view of the multifarious activities that will be undertaken by the societies in the hilly areas.

8.16 On the basis of the above assumptions, the requirements of secretaries in the various categories have been worked out by us in Table 3.

TABLE 3

	No. of societies	Secretary in Category			
		I	II	III	IV
<b>Plane tracts</b>					
Business below Rs 3 lakhs	5475	—	—	5475	—
Business above Rs 3 lakhs but upto Rs 5 lakhs	655	—	655	—	655
Business above Rs 5 lakhs	428	428	—	—	428
LSS	500	500	—	—	500
	<b>7058</b>				
<b>Hilly area</b>					
Pacs	670	—	670	—	—
LSS	30	30	—	—	30
	<b>700</b>				
	<b>7758</b>				
<b>Total Number of Secretaries</b>		<b>958</b>	<b>1325</b>	<b>5475</b>	<b>1613</b>
<b>9371</b>					

It will be seen from Table 3 that we have suggested posting of an additional secretary from Grade IV in respect of societies with business over Rs 3 lakhs with a view to ensuring their efficient management. In this context, it may be noted that as per our suggestion in Chapter 3, the cost of additional hands required by the pacs in the Hilly region is expected to be met by the government. The total requirement of secretaries works out to 9371, i.e., say 9400. As against this, arrangements have already been made for about 8000 secretaries. Thus the balance, i.e., 1400 secretaries will have to be recruited in a phased manner during the next year, i.e., 1977-8. On this basis the strength of the secretaries in the cadre from 1977-8 will be as given in Table 4.

TABLE 4

Year	Number of secretaries
1977-8	8700 for the full year (8000 + 700 recruited during the first half year) 700 for half year (recruited during the second half year)
1978-9 onwards	9400 for the full year

Assuming an expenditure, on an average, of Rs 4000 per annum per secretary towards his salary, leave salary, TA/DA etc., the expenditure year-wise will be as in Table 5.

TABLE 5

Year	Expenditure (Rs lakhs)
1977-8	362.00
1978-9	376.00
1979-80	376.00
1980-81	376.00
1981-2	376.00

8.17 The rates of contribution to the cadre fund by the societies, DCBs are as indicated in item (i) of paragraph 8.13 above. However, for working out the collection of contribution, only the quantum of short-term loan business is taken into account which is readily available as projected by us in Chapter 4. The contributions that will be collected in the cadre are estimated in Table 6.

TABLE 6

Year	Borrowings (Rs crores)			Contribution (Rs lakhs) to the Fund by			
	DCBs from UPCB	pacs from DCBs	pacs from comm. banks	DCBs @ 0.10 % of col. (2)	comm. banks @ 0.10% of col. (4)	pacs @ 1.30% of cols. (3 + 4)	Total (5+6+7)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1977-8	130	152	16	13.00	1.60	218.40	233.00
1978-9	150	174	22	15.00	2.20	254.80	272.00
1979-80	170	196	28	17.00	2.80	291.20	311.00
1980-81	190	218	34	19.00	3.40	327.60	350.00
1981-2	210	240	40	21.00	4.00	364.00	389.00

The estimated contribution in the cadre fund and the estimated expenditure on the cadre secretaries during the five-year period are compared in Table 7.

TABLE 7

Year	Contributions	Expenditure	Rs Lakhs	
			Surplus/ Deficit (—)	
1977-8	233.00	362.00	(—)	129.00
1978-9	272.00	376.00	(—)	104.00
1979-80	311.00	376.00	(—)	65.00
1980-81	350.00	376.00	(—)	26.00
1981-2	389.00	376.00		13.00

The above comparison reveals that if the contributions are pooled in the state fund there will be deficit of the order of Rs 3.24 crores during the first four years only which may be borne by the state government. In this connexion, we understand that the GOUP have reportedly decided to meet the deficit in the cadre fund to the extent of Rs 1 crore per year in the first 3 years. On realization of the projections in the lending business the scheme will not only become self-supporting from the fifth year but leave a surplus which can be utilized for additional hands that may be necessary as the business develops or for recruiting better qualified and, therefore, better paid staff than what has been assumed. Alternatively, even a reduction in the contribution may be considered.

8.18 Further, it may be noted here that the effective rate of contribution by the pacs will work out to 1.10 per cent of the outstandings as the difference of 0.20 per cent on the borrowings is taken care of in the involvement of their own resources by the pacs. The margin normally available to the societies is 2.50 per cent as explained later in Section II, leaving a margin of 1.40 per cent to the societies for meeting other expenses, etc.

#### *Common Cadre for key personnel of DCBs*

8.19 For inducting persons of professional competence into the managerial cadre of co-operative banks, the GOUP has issued notification No. 3644/12-C. 2-75/6 dated 19 August 1976 for



setting up a cadre for the secretaries (who are the chief executives) of the DCBs and for constituting an authority for the maintenance and management of the cadre known as the Cadre Authority. The composition of the Cadre Authority is as under:

Chairman, UP CB	Chairman
Additional RCS to be nominated by RCS	Member
Two Chairmen of DCBs to be nominated by the state government	Members
Three nominees of the government representing Finance, Co-operation and Cane Departments	-do-
One representative of the RBI	Member
Secretary, UP CB	Member-Secretary

All matters of policy will be decided by the Cadre Authority. Besides, there is provision for an Administrative Committee. The composition of the Administrative Committee is as under:

Additional RCS to be nominated by RCS	Chairman
One nominee of the board of UP CB	Member
One representative of the DCBs to be nominated by the government	-do-
One representative of the RBI	-do-
Secretary, UP CB	Member-Secretary

The status and scales of pay of the secretaries are to be related to the size of DCBs as shown below:

Category of DCB	Basis of categorization	Scale of pay of the secretary
A class	Working capital of more than Rs 5 crores	Rs 550-Rs 1200
B class	Working capital exceeding Rs 2.50 crores but less than Rs 5 crores	Rs 350-Rs 850
C class	Working capital of less than Rs 2.50 crores	Rs 350-Rs 750

The screening of the existing secretaries for absorption in the cadre has been entrusted to the above mentioned Administrative Committee which will also be the appointing authority. While the concerned DCBs will have to pay the actual salaries and allowances of the secretary from the cadre, they will have to make an additional contribution to a Common Cadre Fund maintained in the UPCB towards leave salary, PF, Gratuity, salary while on training, etc., of the secretary from the cadre.

8.20 In the Staffing Pattern Report, the following main recommendations have been made in connection with Common Cadre:

- (i) The key personnel in DCBs, viz., the Chief Accountant, the Executive Officer and the Development Officer, along with the Secretary (to be designated as the General Manager) should form part of the Common Cadre which should also include the officers of the UPCB below the level of the Deputy Secretaries.
- (ii) There may be a clear statutory basis for creating the Cadre Authority making it obligatory for the DCBs to have the key personnel only from the Cadre. Suitable penalties should be prescribed in the statute for failure to accept an officer posted from the Cadre.
- (iii) Under no circumstances, the DCBs should be allowed to post or continue an additional officer enjoying the same status and privileges in the concerned bank as that of a Cadre Officer.

8.21 While welcoming the action taken by the GOUP in setting up common cadre for the secretaries of the DCBs, we would reiterate the above recommendation in the Staffing Pattern Report that, the other key personnel in the DCBs like the Chief Accountant, the Executive Officer and the Development Officer as also the officers of the UPCB below the level of Deputy Secretaries may be included in the common cadre which may be called the 'Common Cadre for Key Personnel'. On the basis of suggestions made in the Staffing Pattern Report regarding officers below the rank of Deputy Secretary in UPCB who may be included in the common cadre (a reference to which we have made in Chapter 2) and the posting of key personnel in the DCBs in relation to their

working capital, the number of personnel that will be required for the common cadre are shown in Table 8.

TABLE 8

<b>Apex Bank</b>				
5 Divisions	—	1 Selection Gr.	+ 1 Gr. I + 2 Gr. II	
8 Regional Offices	—	1 Selection Gr.	+ 2 Gr. II	
13 Branches	—		1 Gr. I + 1 Gr. II	
<b>Total strength</b>	—	<b>Selection Gr.</b>	<b>Gr. I</b>	<b>Gr. II</b>
		<b>13</b>	<b>18</b>	<b>39</b>
<hr/>				
<b>DCBs</b>		No.	Gr. I	Gr. II
A Class (Working capital above Rs 5 crores)		10	10	30
B Class (Working capital between Rs 2.5 and Rs 5 crores)		22	22	—
C Class (Working capital below Rs 2.5 crores)		23	—	23
<b>Total</b>			<b>32</b>	<b>53</b>
		<b>Selection Gr.</b>	<b>Gr. I</b>	<b>Gr. II</b>
				<b>Gr. III</b>
<hr/>				
<b>Requirements:</b>				
Apex Bank		13	18	39
DCBs		—	32	53
<b>Total</b>		<b>13</b>	<b>50</b>	<b>92</b>
<b>Add: Leave reserves</b>		<b>—</b>	<b>5</b>	<b>9</b>
<b>Total</b>		<b>13</b>	<b>55</b>	<b>101</b>
				<b>74</b>

The total number of personnel required in the common cadre will be 243, i.e., say 250. This cadre should be administered by the UPCB on the basis of arrangements mentioned in paragraph 8.19 above in respect of the cadre for secretaries of DCBs.

8.22 Under the existing arrangements for the cadre of secretaries of DCBs, the concerned DCBs are required to pay the actual salaries and allowances as also additional contributions towards leave salary, PF, Gratuity, etc., to the common cadre fund maintained in the UPCB. We are of the opinion that such an arrangement will be a heavy burden on the relatively weak DCBs, who, as a matter of fact, need these key personnel most for improvement

in their working. We, therefore, suggest that the UP CB may collect contributions to the Fund in lieu of the key personnel provided, from all DCBs at the rate of 0.25 per cent per annum of the short-term agricultural loans advanced to them by it and also put in its own contribution at the rate of 0.10 per cent per annum of the total short-term agricultural loans advanced to the DCBs. The short-term agricultural loans advanced by the UP CB are expected to register an annual increase of Rs 20 crores from about Rs 110 crores in 1976-7 to Rs 210 crores in 1981-2 as shown in Table 25 in Chapter 2. If, therefore, the common cadre comes into existence with effect from 1 July 1977, the economics of the scheme will be as indicated in Table 9.

TABLE 9

Year	Short-term lendings of UPCB (Rs. crores)	Contribution (Rs lakhs) to the Fund by		
		ccbs @ 0.25% of borrowings from UP CB	UPCB @ 0.10% of lendings to ccbs	Total
1977-8	130	32.50	13.00	45.50
1978-9	150	37.50	15.00	52.50
1979-80	170	42.50	17.00	59.50
1980-81	190	47.50	19.00	66.50
1981-2	210	52.50	21.00	73.50

As against this, the expenditure on the maintenance of this cadre comprising of 243 officers can be placed at about Rs 40 lakhs on the basis given in Table 10.

TABLE 10

		No.	Annual Emoluments per officer (Rs)	Total expenditure (Rs lakhs)
Selection Grade	13		25,000	3.25
Gr. I	55		20,000	11.00
Gr. II	101		16,000	16.16
Gr. III	74		12,000	8.88
<b>Total</b>				<b>39.29</b>

Thus, the contributions receivable as shown in Table 9 will cover the cost of maintaining the cadre of officers right from the first year, i.e., 1977-8. As a result, if the projections made about

the annual increase in the loans from the UPCB materialise, there will be large surpluses in the Fund which, as in the case of pacs, may be used for employing better qualified and better paid staff or alternatively reducing the rate of contributions by the UPCB and/or the DCBs. Such an arrangement will enable even the weaker DCBs to sustain all the key personnel from the cadre.

8.23 When such a cadre is established, we suggest that there should be interchangeability in the cadre officers posted in the DCBs and UPCB which will facilitate exchange of experience. Further, the positions in the UPCB at the levels of Deputy Secretary and above may also be filled by giving preference to officers from the common cadre. Unless this is done, the staff belonging to cadre cannot aspire to be elevated to the superior positions particularly at the senior level which may act as disincentive for efficient work.

8.24 It has been decided that the posts of cadre officers may be filled by selection from amongst the existing personnel mentioned in paragraph 8.19 above. While filling in the remaining vacancies and also in the future recruitments, the staff of the UPCB, DCBs as well as the Co-operation Department with suitable background and qualifications should be considered and given preference.

## SECTION II

### OPERATIONAL ISSUES

8.25 In addition to the question of diversification of the advances portfolio of the UPCB which we have dealt with earlier in Chapter 2, the other operational aspects which need our examination in the light of views expressed in the course of the zonal meetings convened at our instance, mainly relate to the interest margin which may be retained at each level, the adoption of differential rate of interest for marginal farmers or for the hilly areas, provision for overdue interest, audit of institutions, etc. These as well as certain other relevant aspects have been considered in the paragraphs that follow.

*Interest margin*

8.26 At present, short-term agricultural loans issued by the RBI at 2 per cent below the Bank Rate, i.e., at 7 per cent per annum, are advanced by the UPCB to DCBs at 8.5 per cent (inclusive of the element of tax liability). The DCBs in turn charge interest at 11 per cent to the pacs which advance loans to the ultimate borrower at 14 per cent per annum. Unlike the pacs, in the case of individual loan accounts and the DCBs in the case of loan accounts of the affiliated pacs, the UPCB debits interest with half-yearly rests directly to the loan accounts of the DCBs with the result that the interest charged for the second half of each year includes an element of compound interest and the overall effective rate for the entire year works out to 8.68 per cent. Further, being a scheduled bank, the UPCB is required to pay tax on interest earned from the DCBs at 7 per cent which works out to Re 0.61 on the interest of Rs 8.68 earned on Rs 100 outstanding against a DCB. Thus, the effective margins retained at each level are as shown in Table 11.

TABLE 11

	Rate in per cent in respect of short-term agricultural loans		
	UPCB	DCBs	pacs
Borrowing rate	7.00	8.68	11.00
Lending rate	8.68	11.00	14.00
Margin inclusive of tax liability	1.68	Does not arise	Does not arise
Tax liability	0.61	—do—	—do—
Effective margin	1.07	2.32	3.00

8.27 The effective margin retained at each level as indicated in Table 11, is no doubt in conformity with the principle that the highest margin should be retained by the lowest tier. But, the Rajasthan Study Team which has gone into this question in depth has suggested that the effective interest margin retained at

the level of the apex bank should be 0.75 per cent, at the level of DCBs 2.00 per cent and at the level of pacs 2.50 per cent. In fact, GOUP is thinking in terms of reducing the rate of interest to the ultimate borrower to 13 per cent per annum which may be possible by reducing the lending rate of interest to 8.25 per cent (inclusive of tax liability) in the case of UPCB, to 10.50 per cent in the case of DCBs and to 13 per cent in the case of pacs. In that event, the recommendation in this behalf made by the Rajasthan Study Team would, more or less, stand implemented.

8.28 However, before taking a final decision, the question needs to be considered from another angle. There is a persistent demand, particularly from the non-official leadership in the Hilly region, that marginal farmers with cultivating holdings of one hectare or less, either as owners or tenants, should be entitled to the benefit of a differential rate of interest, particularly when such a facility is available to them from commercial banks operating in the state. This demand, in our opinion, seems justified. We would, therefore, suggest that instead of reducing the rate of interest in the case of all farmers, whether big, medium, small or marginal, it is desirable to charge all farmers other than marginal, the existing rate of interest and a differential rate of interest to all marginal farmers in the state in pursuance of a recommendation in this behalf made by us later. Thus, we are of the view that the GOUP may not go ahead with the proposal of reduction in the rate of interest for all farmers. For the same reason, the margin retained at each level of the co-operative credit structure at present may continue.

#### *Differential rate*

8.29 The next question is what should be the differential rate of interest for the marginal farmers. From the data contained in paragraph 1.15 of Chapter 1, it is observed that the marginal holdings in the state form 66.8 per cent of the total holdings, but the area covered by them constitutes 21.1 per cent of the total area covered by all holdings. Besides, the benefit of irrigation is relatively less for the marginal farmers and, therefore, the percentage of gross cropped area accounted for by them to

the total gross cropped area will be lower than 21.1 per cent. However, unless the extension machinery succeeds in taking the message of modern agriculture to the doors of the small farmers, most of them may continue to follow traditional agriculture where the demand for credit is much less. Consequently, the small farmers may not account for the same proportion in the total loans as they have in the total holdings. At the same time, considering the objectives of state policy to encourage marginal farmers to adopt high-yielding varieties of seeds on their farms and assuming a progressively increasing response from them in this behalf, we feel that in the case of UP, it would be appropriate to place the share of marginal farmers in the total loans outstanding at the primary level at not less than 15 per cent.

8.30 Proceeding on the above basis, if the overall return on advances of a pacs is to be kept at 13 per cent and it charges interest at 14 per cent on 85 per cent of the advances due from farmers other than marginal, it would suffice if it charges interest at 7.25 per cent on the remaining 15 per cent of the advances due from the marginal farmers. The position at the levels of the three tiers of the co-operative credit structure will then be as shown in Table 12.

TABLE 12

	Rate in per cent per annum		
	UPCB	DCB	pacs
(i) Rate of interest on 85 per cent of the lendings in respect of farmers other than marginal	8.50	11.00	14.00
(ii) Rate of interest on 15 per cent of the lendings in respect of marginal farmers	6.75	7.75	7.25
(iii) Overall effective rate of interest on all lendings	8.25	10.50	13.00

In view of the above position, we recommend that instead of reducing the rate of interest on the short-term agricultural loans to all categories of farmers by 1 per cent, the UP CB may lend



to the DCBs at 8.25 per cent per annum and the DCBs in turn should advance short-term agricultural loans to the pacs at 10.50 per cent per annum. The pacs on their part should advance short-term agricultural loans to all farmers other than marginal at 14 per cent and to marginal farmers at the differential rate of interest of 7.25 per cent per annum. The difference of 6.75 per cent is all that is feasible and may not be considered insignificant.

8.31 If the above recommendation is accepted and if the UPCB is allowed to debit interest with half-yearly rests directly to the loan accounts of the DCBs, the apex bank's effective lending rate will be 8.40 per cent. Deducting therefrom the burden of tax liability at 0.60 per cent, the overall effective margin retained at each level will be 0.80 per cent (exclusive of tax liability) for the UPCB, 2.10 per cent for the DCBs and 2.50 per cent for the pacs. This is almost in conformity with the recommendations of the Rajasthan Study Team. We suggest, therefore, that the UPCB may be allowed to debit interest with half-yearly rests directly to the loan accounts of the DCBs, provided all our other recommendations in this behalf are accepted and implemented.

8.32 However, the position of the share of the marginal farmers in the total holdings for the state as a whole may not be true in all the districts individually. In some, the share may be less than the state average in which case, the loss on account of charging a lower rate will be lower thereby raising the effective margin available to the concerned societies. In some, however,—and this is particularly the situation in the wholly hilly districts of Almora, Chamoli, Garhwal, Pithoragarh, Tehri Garhwal and Uttar Kashi—the share of the marginal farmers may be very high. For instance, in the above hilly districts the holdings of marginal farmers form 72 per cent of the total holdings but account for 41.3 per cent of the total cultivating holdings. It may, therefore, be safe to assume that in these six districts 30 per cent of the total finance will go to marginal farmers. If this is so, the pacs in these wholly hilly districts will have to operate with an overall rate of 11.98 per cent, if the same differential rate of interest as in the plane districts is charged to marginal farmers. The overall interest margin to them will be reduced to 1.48 per cent as against 2.50 per cent recommended

by us. This will thus reduce their total income and result in a gap between their income and expenditure. If, however, the cost of the full-time paid secretaries provided to all the pacs in the Hilly region is met by the state government by making requisite contributions on their behalf to the state level cadre fund fully for the first four years and thereafter to the extent necessary after adjusting the surplus in the Fund, the reduction in the income of the societies in the hilly areas should not be a cause for concern. It is true that the marginal farmer in the hilly districts does not benefit from the measure, as he will pay the same rate as other such farmers in the plane districts. We feel that he should feel satisfied that the pacs are enabled to maintain full-time paid secretaries at the cost of the state level cadre fund and that, therefore, a still lower rate of interest for small farmers in the hilly areas as compared to the others may not be necessary. If the position is properly explained to all concerned, our recommendations should meet with their approval.

### *Overdue interest*

8.33 It will be observed from Annexure 11 giving the position of DCBs in the state for the years 1971-2 to 1975-6 that almost all the DCBs work at profit, but only a few of them have been in a position to pay dividend on their shares. This position has arisen because while the published net profits of the banks are arrived at without making a provision for overdue interest, they are allowed to appropriate their profits for purposes other than statutory transfer to the reserve fund at 25 per cent, 15 per cent to the Agricultural Credit Stabilization Fund and 1 per cent to the education fund, only to the extent of the excess of the remainder profit over and above the amount of interest on advances deemed overdue. If there is no such excess, the balance of profit is carried over to the next subsequent year. Thus, if a bank's published profit is Rs 100, it will have to transfer Rs 41 to the reserve, stabilization and education funds and if the remainder profit of Rs 59 is lower than the overdue interest on advances, it will not be appropriated, but carried over to the next balance sheet. In effect, the appropriations to the reserve, etc., funds are not in relation to the real net profit.

8.34 The basis for reckoning the amount of overdue interest is also not accurate, inasmuch as it includes interest due on such advances or loans as have not fallen due for repayment. As per the existing practice, the DCBs in UP levy interest on loans first on 1 October and again on 1 April for the preceding six months or the actual period of loans, whichever is lower. The interest so debited if not recovered before the following 30 June, is deemed as overdue. Thus, if a loan for sugarcane cultivation has been advanced in November 1976, interest on it will be first debited on 1 April 1977 and if the same stands not recovered by 30 June 1977, it will be reckoned as overdue interest, although the principal loan itself will be due for repayment in the following co-operative year, i.e., 1977-8. This position does not conform to the canons of sound accounting. In Maharashtra, under section 65 of the Maharashtra Co-operative Societies Act, 1960, only such interest receivable as is due on loans and advances which have become overdue, is deemed as overdue interest and provision therefor is required to be made before arriving at the published net profit. In short, the demand for interest for a co-operative year includes only such interest as is due on loans and advances which are due for repayment on or before the close of co-operative year.

8.35 In the light of the position discussed in paragraphs 8.33 and 8.34 above, we recommend that a legal provision on the lines of section 65 of the Maharashtra Co-operative Societies Act, 1960, may be incorporated in the Uttar Pradesh Co-operative Societies Act and pending such an amendment, the RCS in consultation with the Finance Secretary, GOUP, who controls the audit of co-operative societies/banks, may issue instructions to all the banks and the concerned audit staff to treat only that portion of interest receivable which is due on overdue loans and advances, as overdue interest and to make a provision therefor under a separate account styled 'provision for overdue interest' to be opened in the books of each bank, before arriving at the published net profit. The appropriations for various purposes including transfer to statutory reserve fund and education fund

should be from the published net profit arrived at as proposed above.

### *Deposit mobilization*

8.36 We have already stated that at the instance of the RCS, the UP CB and the DCBs in UP have embarked on a drive for deposit mobilization. Towards this end, among other steps, the branch network of the DCBs is being expanded and a scheme has been drawn to give proper face lift to their existing branches. We have already stated in Chapter 2 that the UP CB should aim at increasing its deposits to about Rs 175 crores by 30 June 1981. Likewise targets for each individual DCB may have to be fixed.

8.37 Under the deposit mobilization scheme, a DCB to qualify for a loan from the RBI at a concessional rate of interest has to put in from its own resources Re 1 for every Rs 2 from the RBI. In other words, the DCB's contribution has to be one-third of the total advances above the base level. Thus, for every Rs 100 of additional short-term loans, the bank has to invest Rs 33-1/3 from its internal resources to qualify for Rs 66-2/3 from the RBI at a concessional rate of interest. The owned funds ordinarily contribute 5 per cent or Rs 5 leaving Rs 28-1/3 to be put in from the deposits. Taking into account the optimum liquidity requirements say, at 33-1/3 per cent of deposits, the additional deposits to be mobilized will have to be of the order of Rs 45. This means, a DCB has to mobilize Rs 45, for advancing every Rs 100. The DCB, however, will require higher level of deposits, say, at Rs 80 if it has to provide loans for other purposes. The DCBs in UP have at present, by and large, a low involvement in non-agricultural advances. In view of this position, the deposits to be mobilized for every Rs 100 of additional short-term agricultural loans can be reckoned at Rs 66.

8.38 We have already given projections for the state as a whole for the next five years for increasing the short-term agricultural lendings. Depending on the potential in the area of each DCB, the UP CB may arrive at the bank-wise projections for each

of the next five years. Once this is done, the apex bank may fix bank-wise targets for the mobilization of additional deposits on the basis indicated in paragraph 8.37 above. The fulfilment of these targets should be scrupulously ensured by the Regional Offices of the UPGB so as to ensure that each DCB in the state is entitled for a concessional rate on its entire borrowings from the UPGB/RBI. Simultaneously, the GOUP may quickly take whatever further steps are necessary to facilitate extension of the benefit of deposit insurance to the co-operative banks in the state.

*Medium-term loan policy*

8.39 Presently the disbursements of instalments of loans for medium-term agricultural purposes, where such disbursement in instalments is warranted, are made by the pacs. However, the disbursements of the second and subsequent instalments are not made after satisfying by a spot verification that the instalment or instalments released earlier, have been fully and properly utilized. We suggest, therefore, that the instalments of medium-term loans for purposes in respect of which the repayment of loan is to be out of incremental income may be disbursed directly by the concerned DCB after undertaking the necessary spot verification in this behalf.

*Financing of small and economically weak farmers*

8.40 In order to ensure that the small and economically weak farmers are encouraged to become members of the pacs and that their credit requirements are met to the maximum possible extent, the RBI insists that at least 20 per cent of the loans issued for short-term agricultural purposes during a financing season starting from April and ending with the following March should be to the small and economically weak farmers. Despite the relatively high proportion of these farmers throughout the state, some DCBs as shown in Table 13 have not been able to satisfy the above condition.

TABLE 13

Financing season	Defaulting DCBs				
	BR	CR	ER	WR	HR
April 1975 to March 1976	Mahoba Jhansi	—	—	Bijnor Bulandshahr Mathura Muzaffarnagar Pilibhit Roorkee Saharanpur Shahjahanpur	Nainital
April 1976 to December 1976	Mahoba Orai	—	Deoria- Kasia	Meerut Pilibhit Roorkee Saharanpur Shahjahanpur	Nainital

We would, therefore, urge on the managements of the DCBs in the state, in particular those mentioned in Table 13 above, to persuade the affiliated pacs to enlarge their effective coverage of small and economically weak farmers so as to ensure the financing of these weaker sections of the rural community, adequately. Further, officers of the Co-operation Department at the district level may also actively associate themselves with the DCBs in the above urgent task for achieving the desired objective.

#### *Security by way of charge on land*

8.41 One of the difficulties experienced by a borrower of a co-operative society in UP is that the Uttar Pradesh Co-operative Societies Act does not specifically provide for creation of a charge by him in favour of the lending society on his property by making a declaration in favour of the lending society. Although under the provisions of section 39 of the said Act, a charge can be created even without a declaration by the borrowing member, it appears from the provisions of the said section, that the charge so created would extend to only such property as has been acquired with the loan from the co-operative

society holding the charge. Further, such a charge is only of a general nature. Moreover, the onus of proof that the assets in question were acquired out of its loan, lies on the lending society. In the circumstances, it is recommended that suitable amendment may be carried out to incorporate a provision in the State Co-operative Societies Act by which an agriculturist is enabled to create a charge as security for the loan availed of by him on the property he owns or in which he has an interest, by way of a declaration in favour of a primary agricultural credit society or a DCB. The amendment can be somewhat on the lines of section 48 of the Maharashtra Co-operative Societies Act, 1960. Incidentally, provision in this behalf has already been made by the GOUP by amending section 6 of the UP Agricultural Credit Act 1973 for enabling the commercial banks to finance agriculturists. There is, therefore, no reason why the provision suggested by us should not be incorporated in the State Co-operative Societies Act with a view to facilitating lendings, especially for investment purposes, by the co-operative credit institutions.

#### *Audit of DCBs*

8.42 As already indicated, the audit of co-operative banks/societies in UP has been entrusted to the GOUP's Finance Department. The standards of audit classification for DCBs prescribed in pursuance of the RBI's instructions issued some two decades earlier are indicated in Table 14.

TABLE 14

Particulars	A	B	D
Overdues under principal	Upto 20%	20% to 40%	Over 60%
Overdues under interest	Upto 5%	5% to 10%	Over 15%
Position of S.T. liabilities vis- a-vis S.T. investments minus overdues	Not to exceed	Not to exceed	Not prescribed
Bad debts plus 50% of doubtful debts	Should not exceed bad debt reserve	Should not exceed bad debt reserve plus reserve fund	Exceeds owned fund

TABLE 14 (Contd.)

Particulars	A	B	D
Maintenance of fluid resources	No defaults	No defaults	Defaults on several days
Loans issued for the short-term purposes	At least 50% of the total	At least 40% of the total	M.T. loans exceed 75% of the total
% of defaulting societies to indebted societies	Below 35	Below 50	Over 60
Profit/Loss	Worked at profit	Worked at profit	Worked at loss
Management/staff	Efficient and qualified	Efficient and qualified	Not satisfactory

- N.B. (i) The banks which do not fall in any of the above categories should be given audit class 'C'.
- (ii) A bank will be allotted a particular class of audit only when it satisfied *all the tests*. The audit classification of banks should not be done on the basis of the majority of tests.

A perusal of the prescribed standards indicates that if a sound bank fails to satisfy even one out of the nine standards stipulated for either A or B class, it will be placed in audit class C. On the other hand, if a weak bank is able to show a better position in respect of even one of the nine standards prescribed for classifying a unit in D class, it will also be classified in C class. The chances are, many good and bad banks may go together in C class of audit, thereby defeating the very purpose of classifying the various central banks in different classes of audit. It is to remedy this situation that the RBI had in terms of its circular dated 12 March 1975, called for reaction of all the RCSs to its proposal of adoption of a 'marks system' so as to have a qualitative assessment of a central bank's overall performance. A total of 100 marks has been divided among 11 major aspects of business of a central bank. Due weightage has been given while making this allocation. While 20 marks have been allotted for performance of the bank in the matter of recoveries, the proportion of defaulting societies to the total



number of indebted societies has been ignored. The replies to this circular should have been received. In the circumstances, we recommend that the RBI may take an early decision on revising the standards for audit classification of DCBs on the lines of its proposal of 12 March 1975. While doing so, the procedure adopted by us for rating the efficiency of a DCB may be given due consideration.

*Co-operation Department*

8.43 The RCS will have to initiate action and vigorously pursue it to ensure implementation of the various recommendations made by us. This will obviously add to the already onerous duties and responsibilities with which his hands are full at present. We, therefore, hardly need emphasise the necessity of strengthening the Registrar's office with a suitable complement of staff at all the levels not only in the head-quarters but also in the districts. In this connexion, it may be observed that the ACB of the RBI at its recent meeting held in December 1976 reviewed the co-operative credit structure in general in the context of large programmes of expansion of co-operative credit envisaged in the Five Year Plans. The ACB has noted that poor progress in this behalf can be, in majority of the cases, attributed to the Co-operation Departments not being adequately equipped to discharge satisfactorily the various responsibilities devolving on them. The RBI has already advised the state governments in this behalf. We, therefore, urge the GOUP to give careful consideration to this aspect on priority basis.

*Inter-departmental Co-ordination*

8.44 The activities of the co-operatives are no longer confined only to the credit business but extend to non-credit spheres and in the process the co-operative credit institutions are required to deal with a number of organizations. Their rapport with the extension agencies is very vital for the success of their loaning programmes in agricultural and allied sectors. Thus, there is need for complete co-ordination between the activities of the credit institutions and the extension staff at various levels of the technical departments of the state government connected with

the development of agriculture and allied activities. Such a co-ordination can be achieved by setting up co-ordinating committees at various levels and, wherever feasible even the staff of specialized departments/organizations can be placed on duty with the co-operative credit institutions like the DCBs or UP CB and the Co-operation Department for facilitating such close co-ordination.

#### REVIEW OF RECOMMENDATIONS

8.45 Recognizing the fact that co-operative agricultural credit institutions in UP are, as a result of the strenuous efforts made in 1975-6 and later for their revitalization, on the threshold of witnessing a sustained progress, we have in this report proposed an ambitious plan for the period of the next five years for taking their business to a level which will make UP rank among the co-operatively most developed states in the country. We are confident that the same degree of hard work put in during the current and the last co-operative year will be ensured by all concerned for implementing the various suggestions/recommendations made by us. Towards this end, a constant review regarding implementation of our recommendations by a high-power committee will be necessary. Such a committee may be set up at the state level by the GOUP under the chairmanship of the Chief Secretary. The other members of the committee may be the Principal Secretary in charge of Agriculture and Co-operation Departments of the GOUP, RCS, Commissioner for Hill Development, representative each of the GOI in the Ministry of Agriculture and Irrigation (Department of Rural Development), RBI's ACD and DBOD and the Chairman of the UP CB and the sl db.

## SUMMARY OF RECOMMENDATIONS

### *Chapter 1—Agricultural situation and credit potential*

1 Judged by the performance during 1975-6 and 1976-7, we consider that UP can be deemed as on the threshold of a breakthrough in the agricultural sector, the development of which is very vital for the economy of the state.

2 In order to decide the dimension of responsibility on the agricultural credit institutions in UP for providing credit for short-term agricultural production, we have estimated the potential in the state in that behalf in the next five years, i.e., by 1981-2. The most appropriate way of calculating the potential is to multiply the area under different crops by the prescribed scales of finance. Not all the amount so reckoned can be deemed as the institutional credit potential as a part of the outlay is met by the farmers themselves and as all the cultivators do not approach the institutional sources for credit and even if they do so they do not draw credit to the full extent of their eligibility. Thus, it is only 40 per cent to 50 per cent of the total outlay on cultivation arrived at as above may be treated as the credit potential. For estimating the potential on the above lines, block-wise data about cropping pattern are necessary, as our terms of reference require us to identify the areas in each district with large credit gaps and suggest institutional arrangements for bridging these gaps. In the absence of block-wise data of cropping pattern, another alternative is to go by the expected average credit supply per hectare of cropped area which was adopted by the Fifth Plan Working Group and endorsed by the Rajasthan, Madhya Pradesh and Bihar Study Teams appointed in recent years by the RBI.

3 We are, therefore, of the view that for the calculation of short-term agricultural credit potential in UP, the norms as suggested by the Fifth Plan Working Group, may be adopted subject to suitable modifications in the case of districts where either the cultivation of crops requiring larger outlay is predominant, or the area under low-value food crops requiring limited outlay

is extensive. The modifications in this behalf which we consider as the most appropriate, are given below:

Districts	Expected average per hectare credit supply in rupees in respect of	
	Irrigated land	Unirrigated land
(i) All districts from the Hilly region, barring Dehra Dun and Nainital, in which only minor millets like mandua are extensively grown in unirrigated tracts	250	75
(ii) All districts from the Bundelkhand region and Mirzapur district from the ER in which soils are relatively poor and cultivation of low-value crops like jowar and bajra in the unirrigated areas is largely undertaken	250	100
(iii) The districts of Lakhimpur-Kheri and Sitapur (CR), Deoria (ER), Bareilly, Bijnor, Meerut, Moradabad, Muzaffarnagar, Pilibhit, Rampur, Saharanpur and Shahjahanpur (WR) in which one-tenth or more of the total cropped area is under sugarcane which is extensively grown in the irrigated areas	375	125
(iv) All other districts—the same norms as adopted by the Fifth Plan Working Group	250	125

On the basis indicated above the total short-term agricultural credit requirements in UP for the gross cropped area of 229.27 lakh hectares (85.13 lakh hectares irrigated and 144.14 lakh hectares unirrigated) in 1972-3, work out to Rs 415.32 crores. In estimating this potential it is assumed that the cultivators in the state are, by and large, progressive enough to benefit from the use of inputs like fertilizers and the timely supply of the required quantity of fertilizers in all areas is not lacking. With the increasing attention by the state government to further improve the agricultural extension machinery and streamline the arrangements for the distribution of fertilizers and other inputs, it may not be unreasonable to expect that the external constraints of the

above type which affect adversely the recourse to credit institutions, will stand substantially removed during the next five years. We, therefore, place the total short-term agricultural credit potential in UP at Rs 415.32 crores or, say, Rs 415 crores in 1981-2.

4 As against the above estimate of credit potential, the pacs in the state, with support from the higher financing agencies, can be deemed to have met in 1975-6 credit needs to the extent of short-term agricultural loans issued by them in that year (Rs 100.16 crores) plus the overdues in respect of such loans as on 30 June 1975 (Rs 62.31 crores) on the assumption that all defaulters may be said to have enjoyed the benefit of co-operative credit to the extent of their respective defaults. Thus, the short-term agricultural credit requirements met by the pacs in the state in 1975-6 may be placed at Rs 162.47 crores, leaving a credit gap of Rs 252.85 crores which works out to 61 per cent of the credit potential at Rs 415.32 crores. The credit gaps in various districts and for the state as a whole should have been narrowed now because of the improved performance of the co-operative credit agencies in 1976-7. However, they have still a long way to go and perhaps their efforts in this behalf would have to be supplemented by commercial banks.

#### *Chapter 2—State and District Co-operative Banks*

5 The membership of the UPCB consists of the DCBs, other co-operative societies including industrial societies and the state government. Normally, a bank like the UPCB organized primarily as a federation of the DCBs in the state, should not have on its membership primary co-operative institutions operating within a district as these institutions should legitimately be affiliated to the respective DCBs. We are of the view, therefore, that by virtue of amendment of either the relevant byelaws of the UPCB or the State Co-operative Societies Act/Rules, as may be deemed suitable, the membership of the UPCB may be open exclusively to the DCBs in the state, other state level co-operative institutions and the GOUP.

6 Although 21 per cent of the state's total population and 22.6 per cent of its rural population consists of the scheduled castes, there is no specific provision in the byelaws of the UPCB

to give them special representation on its board. The GOUP have, however, since taken action to amend the Uttar Pradesh Co-operative Societies Rules with a view to providing suitable representation to the weaker sections on the boards of management of certain types of co-operative institutions which includes the UPGB and that the term weaker sections includes for this purpose scheduled castes/tribes, landless agricultural labourers and small and marginal farmers. Accordingly, the relevant amended Rule will provide for reservation of two seats for the weaker sections on the board of directors of the UPGB. We suggest that by convention at least one of these two directors may be from scheduled castes and further, at least one of these two should be on the Executive Committee of the UPGB.

7 The byelaws of the UPGB may be amended to provide for three nominees of the GOUP on its board and these may be the Special Secretary, Finance Department, the Director of Agriculture and the RCS or an Additional RCS. The byelaws should also specifically provide for the inclusion of the RCS/Additional RCS on the Executive Committee constituted by the Board.

8 In view of the recommendations at items 6 and 7 above, the total strength of the Board of the UPGB will have to be raised to 18 by suitable amendment of the relevant byelaw.

9 Of the 59 officers in the employment of the bank, only nine have received special training in banking and co-operation. The remaining officers may also be trained at the Reserve Bank's College of Agricultural Banking at Pune.

10 The responsibilities devolving on the regional offices of the UPGB are quite heavy. In view of this position and the extensive jurisdiction of the regional office at Bareilly and the special problems of the DCBs functioning in the Hilly region, we suggest that the UPGB may open a separate regional office each to exercise supervision over the banks in the Garhwal and Kumaun divisions.

11 We endorse the views in the Staffing Pattern Report of the RBI that there may be five major divisions each headed by a Manager or a Deputy Manager at the head office of the bank

suitably assisted by officers in grades I and II with specified main functions and that after the setting up of a separate training institution of its own which is being contemplated by the UP CB for providing training facilities to the staff of the apex and central co-operative banks, one more full-fledged Division for attending to training matters may be formed in the head office of the bank. We would, however, recommend posting of a Secretary or a General Manager between the Managing Director and the Managers/Deputy Managers in-charge of the five major divisions in the head office of the UP CB to look to overall work in the absence of the MD from the headquarters or share some field work of the latter.

12 As suggested in the Staffing Pattern Report, the scope of inspections of the DCBs by the regional offices of the UP CB should be widened to cover aspects like appraisal of the loans portfolio, review of the rehabilitation scheme, etc. Besides, these offices should be actively associated with the development of business of the DCBs as also the strengthening of the primary credit structure in their region. We also endorse other relevant observations in the said Report regarding posting of a Development Manager in Selection Grade assisted by two or more other officers in Grade II in each regional office and a suitable staffing pattern for the branches some of which may be vested with the function of disbursement of loans under limits sanctioned by the head office.

13 The instructions of the GOUP to the semi-government organizations and local bodies to deposit their surplus funds with the UP CB and the DCBs have helped the banks in no small measure in their drive for deposit mobilization. The UP CB should keep up the tempo of mobilization of additional deposits with a view to further strengthening its internal resources and set a target of reaching Rs 175 crores by 30 June 1981.

14 About three-fourths of the outstanding advances of the UP CB are for agricultural purposes and as on 31 December 1976 outstanding short-term agricultural loans alone formed 69 per cent of the total outstanding advances. The average involvement in 1975-6 of the bank from out of its deposit resources in short-term

agricultural loans worked out to Rs 23 crores. Such loans are issued by the bank to the DCBs at 8.50 per cent per annum. As against this position, the cost of raising deposits, including the cost of administering them, the risk cost of loans and the tax cost works out for the bank at 10.46 per cent resulting in a loss of income for it to the extent of 1.96 per cent on the deposits involved in short-term agricultural loans. The only way out for the UPGB to compensate for the above loss of income is to take full advantage of the cheaper funds available from the RBI for short-term agricultural financing, not at the cost of additional deposits, but by deploying its internal resources to the maximum extent possible in other more remunerative sectors so as to improve the average return on the total advances.

15 For improving the average return on advances, the UPGB has to reduce its own involvement out of owned funds and deposits, in short-term agricultural loans to DCBs to about 25 per cent of the total outstandings under such loans against the DCBs.

16 With the implementation of the recommendations for strengthening the organizational set up and staffing pattern in the UPGB, the bank's management cost will substantially go up. In view of this position, the permanent solution will be in making concerted efforts to diversify its advances portfolio if it is to maintain the present ratio of net profits to working capital. The bank should be able to involve its available resources further in two activities, viz., fertilizer distribution and procurement of foodgrains.

17 We recommend, therefore, that when meetings are convened in future for fixing the total size of credit limits from the banking sector for financing fertilizer distribution and procurement of foodgrains in UP, the Credit Planning and Banking Development Cell of the RBI may ensure participation of the UPGB. The RBI's ACD may assist the bank in the matter. Further, as a matter of policy, priority may be given for participation of the UPGB in the financing of these activities while fixing shares of the different banks.

18 The UPGB has also scope to increase its involvement in advances to co-operative sugar factories upto 15 per cent of its



total advances. The problem is non-existence of adequate number of units in the co-operative sector and this problem will continue at least for some years to come. The point for consideration is whether the bank should be allowed to finance the non-co-operative sector. With the satisfactory record of co-operative banks in some areas in recent years in the field of mobilization of internal resources and consequent availability of surplus loanable funds with them after meeting adequately the demands of the co-operative sector, there seems to be no reason why these banks should not be allowed to finance non-co-operative undertakings. The choice of the agency should be left now to the borrower and should no longer be determined on ideological consideration. We are, therefore, of the opinion that considering the satisfactory resources position of the UPCB, its capacity to ensure certain minimum involvement of its own in agricultural loans, the urgency for diversification of its advances portfolio to improve its income earning capacity and the lack of scope to diversify lendings within the co-operative sector, the RBI, as a special expedient, may agree to permit the UPCB to provide working capital finance to the sugar factories managed by the Uttar Pradesh Sugar Corporation. Each such proposal will be covered by the credit authorization scheme of the RBI which can ensure that the UPCB's total involvement in the sugar factories, both co-operative and managed by the Corporation, does not exceed 15 per cent of its total advances. The RBI may review the decision permitting the bank to finance sugar factories run by the Corporation after a period of, say, five years.

19 As a long-term solution, however, the UPCB will have to assume a much greater responsibility than at present in the promotion and development of various sectors of co-operative activity right from the stage of project formulation. Towards this end, the bank may take action to organize a separate Planning and Development Division with an Industrial Cell at its head office, as proposed in the Staffing Pattern Report.

20 Co-operative development is almost lacking in UP in the field of urban banking and, therefore, co-operative banking sector has not been able to play any role in financing artisans, small entrepreneurs or self-employed. Thus, there is an urgent need to

promote co-operative urban banking. The lead for this purpose will necessarily have to be taken by the UPCB which can provide refinance facilities to these banks and open a profitable outlet for its surplus resources. As a first step towards the setting up of urban co-operative banks, the branches of the UPCB may provide credit facilities for small amounts, say, upto Rs 10,000 each to small entrepreneurs, artisans, craftsmen, etc., in their respective areas by admitting them as nominal members with a view to ultimately transferring their deposits, loans, etc., accounts to a separate urban co-operative bank of their own. In this context it may be pointed out that the RBI has no objection to the state and central co-operative banks providing credit facilities from their own internal resources upto certain overall ceiling to individuals in urban towns where urban co-operative banks are not operating.

21 In our opinion the UPCB can be deemed to have reached the stage of financial stability and development necessary for it to function effectively as an apex body of the co-operative institutions in the state. What is necessary for it is to accept as the leader of the co-operative credit structure a more positive responsibility for the development of the institutions lower down the structure on sound lines so that the whole structure is equipped to play an effective role in meeting credit needs of the agricultural sector in the state.

22 As against 875 development blocks in the state, the number of offices of DCBs at the end of June 1976 was 685 which means that a large number of the blocks do not have any offices of the DCBs. The programme of branch expansion launched by the Co-operation Department of the State Government should be, therefore, carried out as quickly as possible, so as to ensure that every block in the state is served by a branch of the DCB of the district.

23 The overall position of the DCBs in UP which had progressively deteriorated during 1973-4 and 1974-5 improved substantially in 1975-6 and the progress witnessed in 1975-6 in the fields of deposit mobilization and agricultural loan operations has been maintained during 1976-7. Thus, by and large, the DCBs

in UP with the support of the UP CB can be counted upon as the main source of supply of short-term credit for agricultural production in the state.

24 The scope of our enquiry calls for an assessment of the performance of each DCB in the state to decide whether it has justified its existence. The Study Teams for Rajasthan, Madhya Pradesh and Bihar appointed by the RBI were of the view that a DCB can justify its continuance as the principal channel for short-term agricultural credit for its area of operation, if it is a viable unit or has the potential for reaching viability in the near future and has also been able to maintain a certain minimum level of efficiency in its operations. We are in full agreement with this approach as the basis for judging the performance of each DCB in UP.

25 To function as a central financing agency in the true sense of the term, a DCB must maintain a certain minimum number of branches in its area of operations depending on the business potential available in the area served, as, for obvious reasons, no branch can be allowed to be a losing proposition except for some reasonable initial period. In view of this consideration, the adoption of a uniform norm of viability for all banks is deemed unrealistic, as the business or credit potential offered by the district or the area served and in turn the minimum number of branches necessary, differs, and that too in many cases widely, from bank to bank.

26 We are of the view that for the purpose of determining the viability it would suffice, if a DCB in UP is expected to maintain at least one branch for catering to 15-16 re-organized viable pacs commanding together a potential short-term loan business of about Rs 50 lakhs. The banks in the Hilly region would, however, finance societies which would undertake a variety of functions in addition to the provision of short-term agricultural loans for which there is meagre scope and would therefore, require a minimum of five branches.

27 For fixing the viability and potential viability norms, the

DCBs in the state may be grouped under six broad categories as under:

Category	Banks which need branches around	No. of DCBs falling in the category
I	5	9
II	10	9
III	15	20
IV	20	10
V	25	3
VI	30 or more	4

28 The viability and potential viability norms recommended by us for the above six categories of DCBs in UP are as below:

Category	DCBs which need branches around	Norm in terms of loan business (Rs lakhs)	
		Viability	Potential viability
I	5	125.00	62.50
II	10	220.00	110.00
III	15	330.00	165.00
IV	20	405.00	202.50
V	25	515.00	257.50
VI	30 or more	595.00	297.50

29 Applying the above norms, we observe that 19 DCBs in the state are non-viable units. None of the non-viable banks will be in a position to attain the status of a viable unit over the period of next five years unless strenuous efforts are made by each bank to maintain a higher average annual growth rate than 15 per cent in loan business which a DCB can be normally expected to achieve. Eight of them will be in a position to reach viability by 30 June 1981 if the growth rate is 20 per cent and another seven banks

will be in a position to attain a viable status by the end of June 1981 if the growth rate is 25 per cent. Despite special efforts, the remaining four banks, viz., Hamirpur (Mahoba), Kanpur, Unnao and Chamoli, may not be in a position to reach a viable status over the period of the next five years.

30 For judging the efficiency of a DCB, we have adopted the same method as suggested by the Study Teams on Madhya Pradesh and Bihar. The efficiency of the DCBs in the state has been assessed by rating the performance of each bank with reference to five major norms sub-divided into 15 objective standards or sub-norms. While giving the actual ratings, appropriate weightage has been given to each major norm/sub-norm and it has been ensured that the system of rating the performance of a DCB in relation to each sub-norm takes into account the potential available in that behalf in the area of operation of the bank.

31 The efficiency of banks with a total rating of 75 per cent and above is deemed very good. Those with a rating of 60 per cent to 75 per cent have been treated as working with good efficiency. While the efficiency of the banks with aggregate ratings between 45 per cent and 60 per cent can be deemed as satisfactory, those with ratings between 33 per cent and 45 per cent can be identified as units with a bare minimum efficiency. The banks with aggregate ratings below 33 per cent have, however, to be classified as inefficient units. On this basis, three banks in the state possess very good efficiency and seven others are rated as having good efficiency. While 16 banks have satisfactory efficiency, 20 others have been rated as having barely minimum efficiency and the remaining nine can be identified as inefficient units.

32 A DCB to claim continued existence should either be a viable unit or if potentially viable, should have at least the bare minimum efficiency to attain viability within a reasonable period of, say, five years. A non-viable or an inefficient bank has no justification to continue to exist in the present form. On this basis, in all 20 banks which include 19 banks identified as non-viable units and the Hardoi DCB, which though potentially viable has been rated inefficient, have *prima facie*, no justification to continue

to exist in their present form. Three courses of action as indicated below are open in the case of the above 20 DCBs:

- (i) Integration with the apex bank;
- (ii) Integration with the long-term agricultural credit structure; and
- (iii) Subjecting the banks to the special care and attention of the apex bank.

33 The question of integration of the DCBs with the state co-operative bank was specifically examined in detail by the Study Team on two-tier Co-operative Credit Structure in Kerala 1973 appointed by the RBI. This Team as also the subsequent Study Teams for Rajasthan, Madhya Pradesh and Bihar have ruled out the possibility of integration of the DCBs in the respective states with the apex bank. In UP, in particular, it may not be feasible for the UPCB to assume the responsibility of financing pacs directly even in a few districts, as the apex bank has the first and foremost responsibility of exercising closer supervision over, and providing effective guidance to, as many as 55 DCBs in the state with a view to ensuring a considerably improved performance and sustained progress on their part. At best, the UPCB may be required to bestow special attention on some weak banks. In view of this position, we are not in favour of the integration of any DCB in the state with the UPCB or that bank financing pacs in the area of any of the DCBs.

34 The next alternative which may be considered is that of integration of the short-term with the long-term agricultural credit structure at the intermediate level. The feasibility of such an integration was examined very recently at the national level by the Integration Committee which has come to the conclusion that integration of credit functions at the primary level would not only be beneficial to the farmers as well as the base level organizations, but also result in a larger flow of integrated credit for investment as well as working capital thus improving the prospects of viability of the co-operative credit agencies at the base and intermediate levels. However, a decision on the recommendations of the Integration Committee has yet to be taken at the national level. Besides, in so far as the DCBs from the plane tracts of UP are

concerned, the problem confronting us is primarily of toning up the efficiency of 17 DCBs which have not been in a position to reach viability and serve adequately the needs of their respective areas of operation. Mere integration with the long-term credit structure in the case of these 17 banks may not, therefore, help achieve the desired objective. However, the cases of the three banks from the Hilly region, viz., Chamoli, Pithoragarh and Uttar Kashi, may have to be viewed differently. In their cases, integration of the two wings of the co-operative credit structure will improve substantially their prospects of reaching viability quickly. While considering the question of integration of the two wings of the co-operative credit structure, a note has to be taken of the strategy suggested by us in Chapter 3 in organizing special type of societies in the Hilly region which will provide to the cultivators all types of credit facilities, including long-term credit for agriculture and a wide range of services. This strategy has the approval of all concerned including the GOUP, the GOI and the RBI. Six of the eight districts from the Hilly region, viz., Almora, Chamoli, Garhwal, Pithoragarh, Tehri Garhwal and Uttar Kashi are wholly hilly. We are of the view that the intermediate level institutions functioning at least in these six districts should integrate the provision of short-term and medium-term credit along with long-term credit for agriculture. In their cases, however, it may not be worthwhile to organize new DCDBs as proposed by the Integration Committee. For ensuring immediate results, all that is necessary for the RCS is to widen the scope of and carry out consequential amendments in the byelaws of the six DCBs in question and perhaps the sldb as the former banks will be affiliated to the sldb in addition to the UPCB. Further, with a view to equipping these six DCBs with staff having experience of managing long-term agricultural credit business, the RCS may consider the question of transfer of suitable staff from the sldb to DCBs.

35 Eight of the remaining 17 banks, viz., Banda, Biswan, Hardoi, Rae Bareli, Agra, Aligarh, Mainpuri and Shahjahanpur, can attain viability over the period of the next five years by maintaining a slightly higher annual growth rate at 20. It is, however, necessary that the affairs of these banks are carried on under close surveillance and regular guidance of the apex bank. In addition to

the secretaries, we suggest that pending creation of the cadre of key officers for the DCBs, the UPCB may take immediate action to post two of its officers as the Chief Accountant and the Executive Officer in each of the eight DCBs. Further, the GOUP may nominate the officer-in-charge of the regional office of the UPCB concerned as a director on the board of directors of each of these eight DCBs and also insist that the director so nominated is taken on the Executive Committee. If the banks are functioning under an administrator, a sufficiently senior officer of the GOUP or the UPCB having previous experience in banking may be appointed as the administrator.

36 This would leave out the cases of nine banks, viz., Mahoba, Jhansi, Barabanki, Kanpur, Unnao, Bahraich, Faizabad, Sultanpur and Etah which have not justified their continuance in the present form. In their cases, while the banks can be subjected to the same degree of special care and supervision by the UPCB as the eight DCBs referred to above, they will require a longer gestation period for attaining viability. Such banks were deemed by the Bihar Study Team, as a special expedient, as a quasi-potentially viable units and allowed a period up to 10 years to attain the status of a viable unit by maintaining the normally expected annual growth rate of 15 per cent in their loan business. In the case of the 9 banks in question also, we recommend that a longer gestation period, i.e., up to 10 years may be allowed to enable them to reach a viable status, say, by 1986-7. Even then for obvious reasons, all these 9 banks will need special attention and care by the apex bank for toning up their operational efficiency. We, therefore, suggest that the UPCB may arrange to post a Chief Accountant and an Executive Officer in each of these 9 banks immediately and bear 75 per cent of their cost. The cost of secretary will be borne on the cadre which has been recommended later. Further, the GOUP may nominate the MD, UPCB or the General Manager proposed earlier by us, as a director on the boards of directors of each of these 9 banks who should also be taken on the Executive Committee of the respective banks.

37 In addition to 17 DCBs in the non-hilly districts for which a special course of action has been proposed earlier, there are as many as 12 DCBs which possess only bare minimum efficiency.



The regional offices of the UPGB will have to bestow special attention upon these 12 banks also. Besides, a time-bound programme for improving the efficiency of these 29 banks as also of the remaining 26 banks which have been rated reasonably efficient may have to be drawn up. For this purpose, the banks may be grouped in the following four broad groups:

- Group I : With rating below 33 per cent
- Group II : With rating between 33 and 45 per cent
- Group III : With rating between 45 and 60 per cent
- Group IV : With rating above 60 per cent

After identifying the areas of weaknesses, an attempt should be made to remove them to such an extent as to improve the rating in the different groups at the percentages indicated below every year for the next five years over the base level:

- Group I : 20 per cent
- Group II : 15 per cent
- Group III : 10 per cent
- Group IV : 5 per cent

In this connexion, it may be noted that in respect of 9 banks which have been allowed a longer gestation period of 10 years for attaining a viable status, the improvement in their ratings every year may be at least one-half of that expected in respect of the banks in the respective groups. Bank-wise annual review may be made by the UPGB and also by the high-power state level committee proposed later for assessing the progress in implementing the various recommendations contained in this report.

38 All the 19 DCBs identified as non-viable units will function as separate entities in one form or the other. Until they reach viability, it is necessary to compensate them for the loss of income on the loan business which falls short of the respective viability norms. We recommend, therefore, that the GOUP may contribute additional Rs 15 lakhs each to the share capital of these 19 DCBs/DCDBs by borrowing from the RBI's Long-term Operations Fund. We recommend further that the contribution as proposed above may be made in lump sum in one year and that for this purpose

the RBI may relax its normal conditions governing the grant of loans from its LTO Fund. In view of the need for a wider capital base for the banks operating in the Hilly region we recommend that the other three banks for wholly hilly districts, viz., Almora, Garhwal and Tehri Garhwal, which are potentially viable, may also be given by the GOUP additional share capital contribution of Rs 10 lakhs each by borrowings from the RBI's LTO Fund.

39 The Jhansi, Kanpur and Meerut DCBs are presently serving the areas of former composite districts of the same name. As for the setting up of new DCBs for serving the new districts, we have to observe that the prospect of viability should be considered not only for the DCBs that may be organized in the newly formed districts but also for the existing DCBs which would have to forego a part of their area. Instead of creating six weaker units out of these three DCBs it is desirable that the concerned DCBs concentrate their full attention on upgrading their efficiency and attaining viability as quickly as possible. We, therefore, suggest that the question of bifurcation of these banks may not be considered at least until each of them attains viability and any decision in this behalf in future may be taken by the RCS in consultation with the RBI.

40 We note that in the case of a few DCBs their head offices are not located at the head-quarters of the concerned district. With a view to facilitating proper co-ordination with the district authorities, it is suggested that the head offices of these banks may be shifted to the head-quarters of the respective districts.

41 The short-term agricultural loans issued by the UPGB to the DCBs are expected to increase upto Rs 110 crores in 1976-7. A part of the increase of about Rs 40 crores in such loans issued that may be witnessed in 1976-7, can be, however, attributed to the integration of financing of cane cultivation. Even so, it is reasonable to expect the UPGB to maintain in the subsequent four years an annual increase of Rs 20 crores in the loans issued for short-term agricultural purposes to the DCBs, the increase percolating as a result of increase in its deposits and higher credit limits on behalf of the DCBs that may be sanctioned by the RBI. Further, the DCBs in the state can be expected to increase their

own involvement of Rs 20 crores in short-term agricultural loans issued to pacs by about Rs 2 crores annually to Rs 30 crores in 1981-2. On this basis, the total loans issued for short-term agricultural purposes by the DCBs in the state to the affiliated pacs can be placed at Rs 240 crores in 1981-2.

*Chapter 3—Institutions at the primary level*

42 As per 1971 Population Census, UP has in all 135.90 lakhs of rural families. The pacs in the state with a membership of 67.20 lakhs covered 49 per cent of the rural families at the end of June 1975. The coverage of scheduled caste families seems relatively poor inasmuch as, although 22 per cent of the state's rural population belongs to scheduled castes, the proportion of scheduled caste members of pacs to the total stood at 10.6 per cent as on 30 June 1975. We understand that in July 1976 the RCS issued instructions to all district officers to ensure enrolment of at least one-third of the non-member cultivators as members of the pacs. We would, however, suggest that the RCS may arrange for a periodical review of the progress made in this behalf in each district. This will ensure that earnest efforts made for re-organization of pacs in the state are followed up by an effective drive for increasing the coverage of pacs throughout the state, especially when a provision for universal membership has since been incorporated in the State Co-operative Societies Act. For this purpose, the responsibility for achieving the district-wise targets should be of the concerned Assistant Registrar and the DCB. Further, we would suggest that special attention be given to cover scheduled caste rural families as presently the proportion of membership of pacs to total rural families in their case is relatively low.

43 The on-the-spot studies have revealed that the pacs in the state, in the form they existed prior to 30 June 1975, could not, by and large, be counted upon to deliver the results that are expected of such institutions which are in direct contact with the cultivators. Since their performance failed to come up to the expectations, their revitalization with a view to ensuring that they functioned in future as effective agencies for the rapid development of rural credit in the state, had become inevitable. However, with

their re-organization, the pacs in UP are well ahead on the road to viability.

44 On re-organization, UP may ultimately have around 8000 pacs as against 21,933 societies as on 30 June 1975. Further, the thinking in the state government is to organize about 200 additional fss of the smaller model by conversion of the existing large-sized societies so as to ultimately have around 250 fss in the state. Priority will be given for organizing fss as above in the SFDA, DPAP and the command area development project areas and the areas served by the RRBs. We endorse the above policy of the GOUP of organizing fss of the smaller model and suggest that the jurisdiction of each such society may not extend beyond the areas of two *nyaya panchayats*. Besides, the government may take simultaneous action to provide the requisite technical staff to these societies, as soon as each such society is organized.

45 In UP, there are 2340 block development unions which are federated in district level federations and out of them 1404 are running seed stores. The unions owning seed stores also handle the business of distribution of fertilizers and sale of controlled cloth and consumer goods. In the changed context of the existence of re-organized pacs which are now to undertake multifarious functions which will include the handling of business that is being undertaken by the seed stores, the need for a separate agency in the form of seed stores is considered redundant. Integration of these unions with the re-organized pacs will go a long way in helping the pacs in attaining viability quickly. Further, a number of unions have their own buildings which would be available to the re-organized pacs thereby helping to reduce the expenditure on construction of office-cum-godowns not only of the pacs but also of the state government. The integration of the unions owning seed stores with the pacs cannot, therefore, be postponed. While bringing about such an integration the unions whose owned funds have been fully eroded can be liquidated and others can be integrated with the respective re-organized pacs in their area after arriving at the intrinsic value of their shares on the basis of the latest available audit report. We would, however, leave the question of the proposed merger to the RCS who may

decide the issue after taking all relevant aspects into account and suggest that the RBI may endorse the procedure that may be evolved by the RCS for fulfilling the desired objective.

46 It is expected that by the end of June 1977 each of the 8000 re-organized societies will have the services of a full-time paid secretary and by the end of 1979-80 each society is expected to have its own office-cum-godown. We are of the opinion that the technical cell under an Executive Engineer which the RCS is contemplating in his office will be quite useful for ensuring the smooth implementation of the massive programme of construction of godowns and recommend the proposal for acceptance by the GOUP.

47 We suggest that the rate of subsidy for construction of godowns to the special type of pacs in the Hilly region may be increased to 75 per cent of the cost as in the case of pacs in the DPAP areas; the balance assistance being by way of loan. The period of such loan may not be less than 10 years with a moratorium on repayment of principal and interest in the first five years. Necessary provision in this behalf may be made in the Hill Sub-Plan of the State.

48 We recommend that each re-organized society may be entitled to receive government contribution to its share capital at the minimum rate of Rs 10,000 if it is a *nyaya panchayat* level pacs, Rs 25,000 if it is a large-sized society or the special type of society in the Hilly region and Rs 50,000 for a farmers' service society of the smaller model. On this basis, the total contribution required for the re-organized societies estimated by us will be as follows:

Type of society	Amount (Rs lakhs)
Viable pacs in plane tracts (6558)	655.80
Large-sized societies (500)	125.00
Farmers service societies (250)	125.00
Special societies in the Hilly region (700)@	175.00
	<b>1080.80</b>

@ Estimated

Upto 1976-7, the contribution made by the GOUP is expected to reach Rs 452.63 lakhs. We recommend that the GOUP should make necessary provision to the extent of Rs 628.17 lakhs in the state budget for the year 1977-8 so that within a period of the next one year, all the re-organized societies will have received the required contribution to their share capital from the GOUP. The RBI may consider sanctioning corresponding loans to the GOUP out of its LTO Fund. Further, it may be noted that the loans from the RBI's LTO Fund for the purpose are, as per the existing instructions of the Planning Commission, above the Plan ceilings.

49 It is necessary to ensure that scheduled castes and the small or economically weak farmers have adequate representation on the managements of the pacs. We suggest, therefore, that the GOUP may consider incorporating a provision in the State Co-operative Societies Act laying down that on the managements of pacs operating in such areas, as may be determined by the state government, certain specified number of seats shall be reserved separately for small or economically weak farmers which category will include members of the scheduled castes. Similar suitable representation for them on the management of the DCBs may also be considered.

50 In view of the existing position regarding institutional arrangements and extension facilities available in the Hilly region, the findings of the field study undertaken at our instance, as also the consensus that emerged at the zonal meeting at Badrinath, we are of the view that the most suitable, as also acceptable approach, to the solutions in respect of the issues regarding the Hilly region referred for our examination should take note of the basic considerations set out below:

- (i) There is no alternative to co-operative agencies for the provision of institutional infrastructure at the district and base levels.
- (ii) Because of difficult terrain and lack of communications, an institution at the base level to be effective in its operations, should have a limited area of operation so as to be within a trekable distance for its clientele.
- (iii) The economy of an average farmer from the hill region

is traditionally linked to a growth centre which he visits at regular intervals to buy his necessities and to dispose of his surplus produce. Such a growth centre is normally a market centre with facilities like bus-stand, post office, primary health centre, etc.

- (iv) The economy of an average individual is also essentially a consumer economy. The links to a private agency are for obtaining his daily necessities on credit to be repaid out of sale proceeds of his agricultural or forest produce, supplemented by his cash receipts from work as labourer in forest or on public works or from periodical remittances from outside made by a household member.
- (v) Holdings being small or marginal and agricultural operations being carried on mostly on traditional level by the households themselves, the outlay on raising crops is a bare minimum mainly for purchase of seeds and to a lesser extent of fertilizers if the latter's use is beneficial. The type of crop loan as per the scales of finance fixed for the plane areas with compulsion on lifting fertilizers is, therefore, not suitable.
- (vi) Agriculture being unstable, reliance on subsidiary occupations is absolutely necessary, thereby indicating the need for provision of institutional credit facilities for husbanding of milch cattle/sheep/goat with suitable extension services.
- (vii) For the same reasons, availability of long-term loans for development of orchards from an institution is also imperative.
- (viii) Seasonality in repayment of dues as fixed under the crop loan system designed primarily for the planes will not work, as repayments are mainly out of sale proceeds of potato, ginger and apple crops which are harvested from June onwards up to October and out of receipts from subsidiary occupations allied to farming or otherwise.
- (ix) In fact, availability of an integrated cash credit type of facility which could be used for meeting farm expenses and lifting the necessities of life on credit will be more suitable as repayments therein are possible as and when cash surplus accrues.
- (x) Insistence on landed security will seriously undermine

the credit eligibility of an individual thereby driving him perforce to the fold of private agencies. The way out seems to be to reckon both the farm and off-farm income inclusive of remittances from outside of an individual to determine his repaying capacity and the total credit eligibility.

- (xi) Even with predominance of small and marginal farmers, the hill districts, being covered by a separate Sub-Plan, cannot be brought under the SFDA/MFAL Agency schemes. In such a situation, provision for subsidising capital outlay on various farming and allied activities under the Hill Sub-Plan is very necessary. For a similar reason, adoption of a differential rate of interest by the co-operative agencies, at least in the case of marginal farmers, is also advisable. Further, the departmental subsidies which are being given directly at present will have to be routed through the institutional agencies to avoid misuse.
- (xii) If from the view point of convenience of an average farmer, the organization of base level institutions is on the basis of growth centre approach, every base level society will cover limited area and restricted number of households thereby raising the question of its viability. The solution will partly lie in giving up multi-agency approach and making the institution the focal point of development of the families in the area. Still, if the institution is to undertake a package of activities including supply of consumer goods and marketing of all types of produce, it may not be economically viable without external assistance. This especially is true because transport costs are prohibitive. In addition, for the sake of efficient working, every society at the base level will need two to three full-time paid employees. This would necessitate provision for transport and managerial subsidy for a fairly long period, i.e., until such time the growth of business of the society permits it to be self-reliant.
- (xiii) Organization of a society at the base level which will serve as the sole contact point for an individual, will entail the society taking up multifarious activities,



including the provision of long-term credit for agriculture. This would mean the society availing of different lines of credit from the higher financing agency for which it will have to provide margins even if they are liberalised. Further, for the sake of attaining viability as quickly as possible, the society will have to ensure at least certain minimum involvement of its own in its business. This will not be possible unless it has wider capital base which is unlikely to come through its members who will be, by and large, small/marginal farmers. The solution lies in the state government making liberal share capital contribution in each society.

- (xiv) If such a society is to keep its operational costs to minimum, it would be desirable if it looks to only one or two higher level organizations to support its various activities. The best course, therefore, would be that all the base level institutions in a district are affiliated to one institution for their credit functions and another institution for their non-credit functions. Both these institutions will have to maintain a branch at least in every block without which closer supervision over the primaries in this difficult terrain will not be feasible. It will be uneconomic for the sldb to maintain its branch in every hilly block. The way out in the circumstances is to integrate the long-term and short-term wings of the co-operative credit structure at the district level. Similarly, the functions of marketing of agricultural produce, forest produce, fruits and vegetables, milk, wool and wool products, supply of consumer goods and fertilizers may have to be integrated in one institution at the district level.
- (xv) While the integrated credit institution at the district level can be affiliated to the UPGB and the sldb, the district level units for non-credit functions can be affiliated to either the Hill Development Corporation or to one or two regional level marketing-cum-consumers federation/s.

51 The base level organization best suited to the requirements of the Hilly region (excluding 8 blocks in the plane tracts of Dehra Dun and Nainital districts) is, therefore, a multipurpose

co-operative society with headquarters at a growth centre and a limited area of operations, undertaking the functions and activities as under:

- (i) provision of short, medium and long-term credit for agricultural purposes;
- (ii) provision of inputs of agriculture like seeds, fertilizers, etc;
- (iii) provision of essential domestic requirements like food-grains, cloth, salt, sugar, vegetable oil, kerosene, matches, tobacco, soap etc., against the member's entitlement under the cash component of the scale of finance or against a limit specifically sanctioned for meeting his consumption needs;
- (iv) provision of technical advice and guidance needed for modernizing agriculture and allied activities;
- (v) marketing of agricultural produce or products of allied activities like dairying, sheep breeding, etc., including collection of milk;
- (vi) marketing of minor forest produce and medicinal herbs;
- (vii) undertaking, wherever possible, forest or other labour contracts which will provide employment and additional income to members;
- (viii) mobilization of deposits; and
- (ix) undertaking such other activities as are incidental to the above functions.

52 As already stated, the scale of finance applicable to the plane areas cannot be adopted in the Hilly region, as the credit obtained for raising the crops will be used primarily for meeting expenditure on obtaining daily necessities of life and to a very limited extent on the agricultural operations proper. It is desirable, therefore, to fix a scale of finance with three components, say, A, B and C. Component A may be disbursed in cash for meeting expenditure, if any, towards preparation of land, purchase of seed, etc. Component B may be utilized for lifting on credit agricultural inputs like fertilizers and the Component C should represent the member's entitlement to lift on credit consumer goods from the stores of the society. Components A and B may together form

one-third of the total scale of finance and component C, the balance.

53 Further, repayment of the crop loan may be partly from the sale proceeds of produce and partly from off-farm income like cash receipts from working as labourers or by way of money orders. The total scale of finance may have, therefore, to take into account the off-farm income. The estimation of the latter especially when a mass treatment is involved may prove administratively a stupendous task. As a way out, therefore, the short-term and medium-term credit eligibility of an individual may be related to the value of his produce but at a percentage much higher than fifty recommended by the RBI under the crop-loan system. The relevant percentage may be around 66 of which the short-term limit may be kept at 50 per cent of the value of produce. For instance, if, on an average, the sale proceeds from the crop of potato from one acre of land are Rs 1500, the total eligibility for short and medium-term limit may be Rs 1000 and for short-term Rs 750. Of this, component A and B may be for Rs 125 each and the balance Rs 500 i.e., component C, may represent the entitlement for lifting consumer goods on credit from the stores of the society. This is only by way of illustration. The actual scale of finance for each crop may be decided after taking into account all related aspects.

54 The existing due dates for repayment of *kharij* and *rabi* loans are 31 March and 31 May respectively. We have earlier indicated that repayments can forthcome mainly out of sale proceeds of *rabi*/horticultural produce, which accrue during the period June to September or out of off-farm income. Even the collection of medicinal herbs and other forest produce like *lisa*, is undertaken during the summer months. Besides, the cultivator generally needs credit to meet his consumption needs from the month of November onwards which can be repaid during the months from the following June onwards until October. A part of the repayments can, however, come out of receipts from working as labourer or out of remittances from outside. In view of this position, it is desirable to adopt a cash credit system of lending. The total cash credit limit may be equivalent to the maximum gap between the outlay on the different crops as per the scales of finance and

the receipts month by month during the period of one year starting from November upto the following October. This should include working capital outlay on vegetables and fruit-bearing trees for which a scale of finance on the basis of either per acre or per fruit-bearing tree can be adopted. Thus, the period of the cash credit limit for an individual will be starting from November and the same will be eligible for renewal, if credit summation is equal to the debits during the year. This type of lending will be suitable even for mono-cropped areas with altitudes of 6000 ft. or above in which credit is required as ways and means assistance for migration during the winter months and the credit so availed of is repaid partly out of the sale proceeds of the following potato/ginger crop, if any, and partly out of the following *kharif* crop.

55 The proposed society at the base level will not only have to issue long-term loans for raising of orchards, but also medium-term loans for purchase of milch cattle and rearing of sheep/goats. The state government have already set up or have plans to set up milk pasteurization/chilling plants in all the eight hilly districts. Plans are afoot for providing the necessary extension and health cover facilities. Arrangements have been made already for collection of milk through milk primaries which are proposed to be strengthened. Husbanding of milch cattle can be a profitable subsidiary occupation in areas with altitudes of less than 6000 ft., especially because arrangements for collection of milk in view of relatively better communication facilities, can be made in these areas. Thus, the proposed base level societies (but not the milk primaries) in such areas can profitably issue medium-term loans for purchase of milch cattle. The work of collection of milk should also be entrusted to the proposed base level societies and organization of separate milk primaries should be given up. Such of the latter type of societies already organized should be merged with the proposed base level organization of the area.

56 The emphasis on medium-term loans for rearing of sheep/goats will have to be in areas with altitudes of above 6000 ft which are known for production of fine quality wool and homespun wool products. The supply of wool or wool yarn is, however, not indigenous and individual weavers have to depend on supplies from across the border for which they have to pay exorbitant

prices. If indigenous supply of the raw material to as maximum an extent as possible is ensured, it will go a long way in uplifting the economy of the people in these areas. The loan policies may be the same as already devised by the RBI, including fixation of annual instalments for repayment in an ascending order. It may also be possible to ensure linking of credit with marketing. Presently, the Industries Department has a system of supplying wool or wool yarn, the price of which is adjusted against the cost of wool products handed over by the cultivator-weaver. The Department has not faced any difficulty in disposing of the wool products, for which there is a great demand from the Khadi Board or merchants based in centres like Meerut or Delhi who come all the way for purchasing these products. All that is necessary is to institutionalize the whole arrangement where wool products can be pooled at the proposed base level society and their marketing arranged through the district level non-credit organization proposed later.

57 For long-term loans for horticulture the procedure presently adopted by the sldb should be continued as it takes into account the expenditure involved in not only the cost of seedlings, but also their maintenance till they reach the fruit bearing stage. Besides, the repayment schedule fixed has been related to the surplus generated from the activity. However, long-term loans for horticulture will have to be extended only where suitable plots are available. Similarly, medium-term loans for milch cattle and sheep/goat rearing may have to be given only in such areas where the availability of fodder will not be a problem and extension and health cover facilities can be made available. The annual programme for extending all the above three types of loans will have, therefore, to be drawn in consultation with the concerned extension staff at the district level maintained by the state government.

58 We propose the following guidelines for the re-organization of primary credit structure in the Hilly region:

- (i) Every re-organized society should have its headquarters at a growth centre and include in its area of operation all the villages that are traditionally linked with that

growth centre. Its area of operation may not normally extend to more than 8-10 kms in radius with lower altitudes and 5-6 kms in radius with altitudes above 6000 ft.

- (ii) While the area of operation of a society may include the area/s of one or more *gramsabhas*, the condition that all the villages in its area should belong to the same *nyaya panchayat* may be waived, if the circumstances so warrant, so as to ensure that the traditional links of a cluster of villages with a growth centre are not broken merely because these villages belong to more than one *nyaya panchayat*.
- (iii) While the requirements at (i) and (ii) above would serve as the general principle, it should be ensured that the area of every re-organized society covers a gross cropped area of at least 800 hectares with about 1000 families if the society is situated at lower altitudes and above 400 hectares with at least 500 families in case the location of the society is at an altitude of over 6000 ft. This should ensure that a society in the former category has a short-term agricultural loan business of Rs 1 lakh and the one in the latter category has such business of at least Rs 50,000.
- (iv) The identification of growth centres and the areas of the re-organized societies in a block may be initially done jointly by the concerned Additional District Co-operative Officer and the Assistant Development Officer (Co-operation) at the block. Their proposals may be forwarded to the Assistant Registrar of the district with the recommendations of the concerned block development council. On receipt of the proposals from all the blocks in the district, the same should be scrutinized and approved jointly by the Assistant Registrar and the secretary of the concerned DCB and put up for approval to the District Board of the *Janpad* to ensure non-official involvement. Once this is done the re-organization should be brought about on the basis of the block-wise plans so approved.
- (v) At the time of implementing the re-organization proposals, a number of procedural and legal problems

will be encountered. Besides, there will be problems connected with the taking over of liabilities of existing societies with heavy overdues and bad debts by the societies identified for retention or by a new society. To overcome these difficulties the guidelines issued by the RBI to all RCSs in May 1976 through two circular letters may be followed.

- (vi) Every re-organized society will require a godown of its own. Since its creation will involve amalgamation with it of a cluster of societies at the primary level in the area comprising not only the existing credit societies but also societies like milk primaries, fruit and vegetable marketing societies, all types of labour co-operatives, Janjatiya societies of the Social Welfare Department, it is likely that many of the re-organized societies will have a godown of their own. Still the rural godowns programme envisaged under the Fifth Plan may be so altered as to give preference to re-organized societies which do not have a godown of their own.
- (vii) The state government may make share capital contribution of Rs 25000 to every re-organized society from out of funds borrowed from the RBI's Long-term Operations Fund. The RBI, in turn, may take a liberal view regarding compliance with the presently prescribed terms and conditions.
- (viii) In view of its multifarious activities, every re-organized society will require the services of at least two to three full-time paid employees. All these hands may be provided from the cadre of secretaries. However, the cost of only one hand may be the charge on the Cadre Fund and that of additional hands may be met from the subsidy to be credited to the Fund for which a suitable provision may be made in the state's Sub-Plan for the Hilly region.

59 We are glad to note that the pattern of re-organization proposed above has been accepted by the GOUP and action for re-organization of societies in the Hilly region has already commenced. It is expected that there will be about 700 growth-centre level societies in the region.

60 The proposed societies in the Hilly region may require a longer gestation period to be self-reliant. During the gestation period, which may be even as long as ten years, the operational costs of every re-organized society will have to be appropriately subsidised. For, unless this is done, there can be no hope of providing meaningful institutional infrastructure at the base level throughout the Hilly region. We have, therefore, proposed a wider capital base and necessary arrangements for provision of adequate staff at no extra cost for every re-organized society. Another area in which external assistance is absolutely necessary, will be for off-setting the higher costs involved in the transport of fertilizers and essential consumer goods to each society and lifting of agricultural and allied products from it. The best course is that, until the base level organizations reach viability, the entire expenditure may be borne by the proposed non-credit organization at the district level which may consider each affiliated society its sale/procurement point. For this purpose, suitable assistance to the district level organization (for non-credit business) can be considered and provision therefor made under the Sub-Plan for the Hilly region.

61 It is desirable that the base level societies in the Hilly region maintain links with one district level organization for obtaining their all types of credit needs. Besides, the scope for long-term agricultural credit being limited, the sldb cannot be expected to substantially widen its coverage of branches in the Hilly region. In view of this position, in each of the six wholly hilly districts, i.e., barring Dehra Dun and Nainital, the DCBs should integrate the provision of short-term and medium-term credit along with the long-term credit. Thus these DCBs will provide to the affiliated primaries all types of credit facilities, including long-term credit for agriculture and working capital for non-credit activities.

62 In the Hilly region, if effective work is to forthcome from every supervisor, not more than 3 to 5 societies can be placed under his charge. Already, the cost of supervisors is borne by the government in the three border districts of Chamoli, Pithoragarh and Uttar Kashi. There is no reason why the other hilly districts should not benefit from this welcome arrangement. We, therefore, recommend that the government should extend



similar assistance to other districts in the Hilly region and meet the cost of supervisors posted in at least the hilly blocks.

63 The need for effective and closer supervision over the primaries and availability to them of credit facilities from the higher financing agency at as close a point as feasible, would require a DCB to maintain its branch, at least in each hilly block it caters. The branch expansion programmes of the DCBs will have to be formulated keeping in view the above objective and approved (waiving the normal requirements) by the Co-operation Department for branch subsidy and the UPCB for extension of assistance for giving a face lift to the branches in the hilly blocks. This is very necessary as while the DCBs will have to maintain branches for the benefit of the affiliated primaries, the branches may not become self-supporting until the primaries in the area attain viability. Further, with proper face lift, the branches may be in a position to contribute substantially to the deposit mobilization programmes.

64 The proposed organizations at the base level cannot become focal points of economic development for the rural population in the Hilly region, unless they are in a position to dispose of at remunerative price the agricultural produce, apples, medicinal herbs, products from allied activities, etc., of their members and supply to them on credit the consumer goods and agricultural inputs needed by them. These activities of the proposed primaries will have to be ably guided and supported, therefore, by a sufficiently strong and efficient organization at the higher level. This responsibility may not be divided among two or three institutions at the higher level as, for the sake of convenience of primaries and economy of administration at the higher level, it is necessary to avoid complex institutional structure even at the higher level. It is desirable to have one institution for non-credit business at the district level in each hilly district which will integrate the activities of the existing (i) general purpose marketing societies, (ii) fruit and vegetable marketing societies, (iii) societies dealing in disposal of medicinal herbs and other forest produce, (iv) central consumer stores, (v) milk unions and (vi) societies, if any, arranging for marketing of wool products, etc. For this purpose, the existing District Co-operative Federation in each of these

districts may be activated if considered feasible or else a new society may be registered at the district level to handle all the non-credit activities enumerated above. The base level primaries will be affiliated to the proposed district level organization for non-credit business and the former may function as the sale depots/procurement points of the latter. The district society should have its branch in each block it serves with adequate godown facilities at the levels of both the block and the district. All district level organizations for non-credit business for the hilly districts may be affiliated in a regional federation of theirs or two divisional federations, one for the Garhwal division and the other for the Kumaun division. The regional/divisional federation will maintain links with the outside market and also the Provincial Co-operative Federation and guide/co-ordinate the activities of the affiliated district level societies.

65 Due attention will have to be given by the state government to ensure that each district level society for non-credit business has trained and adequate staff to man its head office and branches, an efficient organization for transport of goods/fertilizers and a strong capital base to sustain its multifarious activities. Substantial subsidies may have to be provided to it at least in the initial years. For all these purposes, necessary provisions may have to be made in the Sub-Plan for the Hilly region.

66 Because of the weakness of the infra-structure and instability of agriculture, the small and marginal farmers of the hills are in a relatively disadvantageous position *vis-a-vis* their counterparts in the plains. There is, therefore, no reason why they should not be entitled for a subsidy for their capital outlay on purchase of milch cattle or sheep flock or bringing a plot under orchard. For all these activities, 25 per cent subsidy for small farmers and 33 per cent in the case of marginal farmers, should be made available in the hill districts by making suitable provision therefor in the Sub-Plan for the Hilly region. But in order to ensure proper utilization thereof, direct disbursement of the subsidies may not be permitted and these subsidies may be routed through the credit institutions as in SFDA/MFAL areas.

67 As far as the Fifth Plan for the Hilly region in UP is

concerned, the same strategy as in the tribal areas, in states like Bihar and Madhya Pradesh, can be adopted as interaction between various departments like Agriculture, Horticulture, Animal Husbandry, Dairy Development, Co-operation, Forest and Industries on the one hand and between extension staff of these departments and the institutional agencies on the other hand, will have to be complementary so as to be complete in all respects. Each hilly district may form one project area. At the state level, the Commissioner and Secretary, Hill Development Department, may have full powers to function as the principal secretary in various departments detailed above and also the Finance Department, to enable him to ensure effective and successful implementation of all the developmental schemes in the Hilly region.

68 The district level officers in charge of Agriculture, Horticulture, Animal Husbandry, Co-operation and Industries may be ex-officio nominated directors of the DCBs and the district level non-credit organization in each of the wholly hilly districts with a view to ensuring co-ordinated work on the part of the extension and institutional wings.

69 The developmental activities in the Hilly region cannot be undertaken on a piece-meal basis for the desired results will not accrue unless all the sectors develop simultaneously. The planning for the purpose will have, therefore, to be integrated and systematic. Above all, the implementation of the plans so drawn by the departments/agencies concerned will have to be well co-ordinated. We are confident that the concerned authorities in the GOUP will give due attention to all these requirements while formulating the future plans, including the annual plans for the years 1977-8 and 1978-9, for ensuring rapid development of the Hilly region of UP.

#### *Chapter 4—Arrangements for filling credit gaps*

70 The short-term credit requirements for agriculture in UP have been estimated by us at Rs 415 crores in 1981-2. As against this position, we have already indicated that the co-operative banking sector comprising the UPCB and the DCBs may be in a position to lend Rs 240 crores to the re-organized pacs in 1981-2.

This will be in addition to the sum of about Rs 62 crores presently locked up in overdues under short-term agricultural loans at the primary level in which the share of the DCBs is to the extent of Rs 13 crores. We expect that these overdues, if and when released, will be re-lent or otherwise the defaulters concerned can be deemed to have enjoyed the benefit of co-operative credit for the amounts of their defaults. On this basis, the pacs in the state with refinance from the RBI/UPCB/DCBs will be in a position to meet in 1981-2 short-term agricultural credit requirements of the order of Rs 302 crores. The credit needs that are expected to be met as above in 1981-2 will form 73 per cent of the credit potential estimated at Rs 415 crores. The alternative institutional sources which can help to bridge the credit gap are the commercial banks and the regional rural banks.

71 The aggregate deposits of the commercial banks operating in the state can be expected to reach a level of Rs 2800 crores at the end of June 1981 with an annual growth rate of 15 per cent. Assuming the credit deposit ratio of 60 per cent by 1981-2, the level of total advances of the offices of the commercial banks located in the state can reasonably be placed at Rs 1680 crores in 1981-2. Of these total advances, commercial banks can allocate Rs 280 crores, i.e., additional Rs 165 crores by 1981-2 for agricultural lending. Of this amount, it is reasonable to expect the banks to spare at least Rs 75 crores for lending for short-term agricultural operations.

72 The six RRBs which are in existence for over one year, with their good branch network and a fairly satisfactory resources position, can be counted upon to share the responsibility in financing short-term agricultural production, along with the commercial banks. But no separate share has been indicated by us for them and commercial banks may be taken to include the RRBs also.

73 We endorse the views of the Pai Group appointed by the GOI as also the Study Teams for Rajasthan, Madhya Pradesh and Bihar appointed by the RBI that commercial banks should undertake financing of agriculture through viable pacs and recommend that the banks operating in UP should earmark at least about Rs 40

crores out of the resources of Rs 75 crores that will be available in 1981-2, for financing short-term agricultural production through the re-organized pacs.

74 We recommend that societies in compact areas, each area offering potential loan business of Rs 20 lakhs from blocks which have a minimum credit gap of Rs 45 lakhs in absolute amount and exceeding 50 per cent of the total credit potential may be considered for transfer to commercial banks.

75 The extent of influence of commercial banks in the above blocks may be as under:

- (i) where the credit gap is between Rs 45 lakhs and Rs 70 lakhs, to the extent of Rs 20 lakhs to be handled by one branch;
- (ii) where the credit gap is between Rs 70 lakhs and Rs 100 lakhs to the extent of Rs 40 lakhs to be handled by two branches at the rate of Rs 20 lakhs per branch; and
- (iii) where the credit gap exceeds Rs 100 lakhs to the extent of Rs 60 lakhs to be handled by three branches at the rate of Rs 20 lakhs per branch.

The number of blocks in category (i) is 125 (125 branches), in category (ii) 18 (36 branches), and in category (iii) 4 (12 branches). In fine, 173 branches of commercial banks will need to take up financing of pacs in 147 blocks from 38 out of 47 districts from the plane tracts of the state for which block-wise data are available. In terms of absolute amount, the hilly blocks do not have wide credit gaps.

76 At the rate of Rs 20 lakhs per branch, the commercial banks may by 1981-2 provide Rs 34.60 crores by way of short-term agricultural credit through the pacs in these 147 blocks. The GOUP will have to attempt similar exercise to identify areas for allocation to the commercial banks from blocks in the remaining 9 districts from the plane tracts of the state. On identification of suitable areas from blocks with wide credit gaps in the above nine districts, the commercial banks may have to provide additional Rs 6 crores of short-term credit bringing the total of such credit

provided through the pacs to about Rs 40 crores by 1981-2. It is not necessary to undertake such exercise in respect of the 68 hilly blocks, as the short-term credit potential in each such block is so low as would not warrant the entry of commercial banks.

77 It is, however, possible that in the identified blocks, the required number of commercial bank branches may not be available. We, therefore, suggest that the RBI's DBOD may allocate suitable centres to the commercial banks for opening their offices in such blocks, on a priority basis, at least to the extent of the shortfall.

78 The commercial banks also will provide the projected level of credit of Rs 40 crores through the pacs, over a period of five years ending 1981-2 and, therefore, the programme of taking over pacs for financing may be phased over a period of the next four years commencing from 1977-8 to 1980-81. This will enable the commercial banks to arrange for, apart from opening branches where there is a shortfall, the appointment of the required staff with proper training to handle the business.

79 We recommend that preference may be shown to the six RRBs indicated earlier and such others as may be established in the future, *vis-a-vis* the other commercial banks in the allocation of areas and societies from the districts in which these RRBs operate or may function in the future.

80 The actual selection of the area or areas from each identified block may have to be left to some independent authority. The work may be entrusted to District-level Co-ordination Committees of which the Collector (District Magistrate) is the chairman and in which both the commercial and co-operative banks are represented. Such Committees may be constituted wherever they do not exist. The decisions of the Committees in this behalf may be ratified by the State-Level Co-ordination Committee which may also decide on matters of policy. Once the allocation is finalised, no one should be allowed to alter it unilaterally. Further, the commercial banks have already taken over 210 pacs for financing. Preference may be given to the concerned banks in selecting areas

in which these societies are located. Wherever this is not possible, we suggest that the better course would be to retransfer such societies to the concerned DCBs.

81 We have suggested that the scheme of commercial banks/RRBs financing re-organized pacs may be introduced in certain identified blocks so as to ensure a total short-term credit supply of about Rs 40 crores from them through the pacs which works out to 12 per cent of the total credit supply of Rs 342 crores to be routed by 1981-2 through the pacs with the support of the co-operative and commercial banks. Thus, arrangements will have to be made to transfer for financing about 900 out of a total of about 8000 re-organized pacs, in select compact areas to the commercial banks/RRBs, in a phased manner during the four-year period 1977-8 to 1980-81. A purely voluntary approach may not yield results in bringing about the influence of commercial banks on such a large scale. One alternative is a kind of consortium/participation arrangement between a commercial bank and the DCB in the district and the second alternative envisages compulsory disaffiliation of the societies in the identified compact areas from the DCB and their compulsory transfer to commercial bank. However, neither the compulsory disaffiliation of societies nor the consortium/participation arrangement has been tried so far anywhere and, therefore, the Madhya Pradesh Study Team recommended that both the alternatives might be considered for giving a fair trial. The RBI, however, took the view that either or both of the two alternatives could be considered for introduction after full implications thereof are first discussed with the interested parties. The matter along with others, has been therefore, referred to a Working Group appointed in October 1976 (under the Chairmanship of Shri C. E. Kamath, Chairman, Canara Bank) to study the problems arising out of adoption of multi-agency approach in agricultural financing. Until the report of the above Working Group is submitted and approved by the RBI, neither of the two alternatives can be considered for introduction. However, in addition to these two alternatives we would suggest for consideration by the Kamath Working Group, three more alternatives, viz., (i) participation at the district level, (ii) pooling of resources and (iii) replacement of the branches of DCBs by branches of commercial banks/RRBs in the blocks identified for financing by

these agencies to ensure speedy involvement of commercial banks in financing short-term agricultural production.

82 Under the consortium/participation arrangement the pacs will not be required to sever their financial relations with the DCB completely, as the latter will continue to be responsible for providing funds to them according to the share agreed to between it and the commercial bank. The DCB will continue to maintain its organic and financial link with the pacs and can continue its efforts through persuasive or coercive action to recover its overdue loans from the societies. The advantage of personal contacts with the managements of the pacs and the experience which the DCBs and the state co-operative bank have acquired in the field of agricultural credit will be available to the commercial banks. In this arrangement, it should be possible to have a cluster of well-developed and poorly developed areas so that, the responsibility for the latter type of areas will be on both the commercial and co-operative banks and the benefits of business from the more developed areas can accrue to both the institutions.

83 The compulsory disaffiliation of societies would, as the name suggests, involve compulsory transfer of the requisite number of re-organized societies in the identified blocks from the DCB concerned and their adoption for financing by one branch or the other of a commercial bank/RRB in the area, without leaving the matter to the discretion or willingness of the connected parties. While such an action will help ensure speedy transfer of societies to the commercial banks for financing, compulsory disaffiliation of pacs from the concerned DCBs may not be appreciated by their managements and membership. For one thing, the pacs have been used to dealing with the DCB of the area, although it is true that in many cases the latter has not been able to cater to the requirements of the membership to the fullest possible extent. Secondly, the record of the commercial banks in the financing of pacs which have been attached to them for the last five years has not been so outstanding or even encouraging as to inspire confidence in the managements of the societies and also the state government that, they will acquit themselves satisfactorily in providing credit facilities to the extent envisaged for them. Thirdly, if societies are compulsorily detached from the DCBs, these banks may press for



the commercial banks taking over all the liabilities of the societies to them inclusive of the past overdues. Thus, unless the commercial banks agree to take over all the liabilities of the societies to DCBs inclusive of the overdues, it may be difficult to push through an arrangement which involves disaffiliation of societies compulsorily.

84 The third alternative is to limit the scope of participation between the DCB of the district and a commercial bank or RRB, to the district level, leaving all the field level operations to the DCB which will be the lender institution in so far as the pacs are concerned. But the participation at the district level as above will not be restricted merely to the pooling of resources, but cover also all policy matters in relation to the provision of credit, like lending policy and procedures, supervision arrangements, action to be taken to ensure prompt recoveries, etc., which aspects should be decided by the participating banks in mutual consultation. The participation between the two banks as proposed will cover the agricultural credit business only. Besides, the participating commercial bank/RRB as also the other such banks operating in the district may have full freedom to finance the non-member cultivators directly. The share of the participating banks in advances to and the recoveries from the pacs will be in a mutually agreed proportion. The cost of supervision over the societies may be shared in proportion to the shares in the loans of the participating banks. The districts to be covered under the proposed arrangement may be all such districts in which the scheme of financing agriculture by commercial banks/RRBs through the pacs, has been proposed by us for introduction. The bank participating in the scheme along with the DCB may preferably be the lead bank of the district or the RRB operating in the district. It will be obligatory on the DCB of the district to ensure that the funds made available to it under the proposed participation arrangement are utilized by it for financing the pacs in such blocks as have been identified as having wide credit gaps. Above all, in order to ensure that the participating commercial bank/RRB has an effective say in deciding all matters of policy in relation to agricultural financing and has also an easy access to the records about the loan operations of the pacs, it may have its own representative on the management of the concerned DCB. This can be ensured by the RCS nominating a representative of the participating commercial

bank/RRB on the board of directors of the DCB. This alternative will have thus all the advantages of the consortium/participation arrangement and since all the pacs in the district will be linked to the DCB alone for finance, the DCB will be in a better position to ensure recovery of its past overdues. Besides, none of the pacs will have to sever its connexions with the DCB even partially, and therefore, organic and financial links with the DCB will be fully preserved and consequently it may be possible to introduce the arrangement of participation at the district level relatively quickly.

85 The next alternative which we would like the Kamath Working Group to take note of for further examination, relates to confining the role of commercial banks/RRBs in financing agriculture to placing a certain prescribed proportion of their deposit resources mobilized in a district with the DCB of the district for financing the pacs, leaving the aspects of formulation of loan policy and procedures, supervision over the end use of credit, recovery and all other field level operations, exclusively to the DCB concerned. This can be ensured through a directive to the effect to all commercial banks/RRBs issued by the RBI's DBOD in pursuance of a national level decision in this regard. Some such arrangement has been already operating in Thailand. The commercial banks/RRBs may be entitled to a return at certain prescribed rate on the funds placed by them with the DCBs. A suggestion to this effect is frequently made, but has not been favourably considered largely because credit gaps arise not necessarily from the lack of resources, but primarily from the absence of a proper infrastructure and sound management which will not be remedied by commercial banks placing funds at the disposal of the DCBs. These banks must be actively involved in building up the structure and improving the efficiency of management which will not be secured, if their participation does not go beyond making funds available to the DCBs.

86 The fifth alternative which can be a solution to the problem of providing suitable institutional arrangements in areas with wide credit gaps, may be to take full advantage of the ever spreading branch network of the commercial banks and the RRBs in rural areas. Under this arrangement, the branches of the commercial banks/RRBs can operate as intermediate level financing institutions

in the identified blocks with wide credit gaps. A cluster of re-organized societies in each such block can be attached for financing to a few convenient branches of the commercial banks/RRBs, either already existing in the area or opened on priority basis specifically for the purpose. In effect, such an arrangement would mean the concerned DCB withdrawing fully from the blocks with wide credit gaps and concentrating its attention on the other blocks in the district. The proposed alternative is in conformity with the principle that, once there is a viable and efficiently managed primary society at the base level to meet the credit needs of the member-cultivators adequately and in an orderly manner, it does not matter whether the refinancing institution at the higher level is a branch of the DCB or a commercial bank or the RRB operating in the area. However, this alternative creates a single agency for credit in the whole block and this ignores the benefits accruing from a multi-agency approach. Besides, a number of problems like the viability of the branch or branches of the DCB in such blocks, the viability of the DCB itself, if substantial areas have to be transferred, the need to maintain organic links of the pacs in such blocks with the higher level institutions in the co-operative sector, the availability of the necessary staff with experience in agricultural financing with the concerned branches of the commercial banks/RRBs and above all the taking over by them of liabilities of the pacs to the DCB in respect of past overdues, will have to be tackled so as to ensure the willingness of all the interested parties to accept the proposed arrangement ungrudgingly without which the desired results may not forthcome.

87 While we suggest that the question of suitability or otherwise for introduction of any one or more of the above five alternatives may be further examined by a national level committee like the Kamath Working Group which is specifically required to study the problems arising out of adoption of multi-agency approach in agricultural financing, we as a Team after weighing fully the merits and demerits of each of these alternatives, favour for introduction the third alternative of participation at the district level. One view, however favours for adoption of the fifth alternative of replacing the DCB by branches of commercial banks/RRBs in so far as blocks with wide credit gaps are concerned. But, at the same time, we recommend that the concerned authorities in the

GOUP may await the views of the RBI in this behalf which may be communicated after the report of the Kamath Working Group is submitted. Until then, action of transferring a cluster of re-organized societies in a compact area or areas in blocks with wide credit gaps to one to three branches of the commercial banks/RRBs may be vigorously pursued to ensure the influence of the commercial banks/RRBs in financing short-term agricultural production in UP to the extent envisaged by us.

88 We endorse the recommendation of the Madhya Pradesh Study Team that in the interest of viability of the societies attached to the commercial banks/RRBs, they may have to be selective and not lend directly to at least such cultivators as may have no difficulty in obtaining their full credit requirements through the societies taken over for financing by them.

89 We expect the commercial banks to take up their direct lendings for short-term agricultural purposes in UP to about Rs 45 crores by 1981-2. Adding the expected credit supply of Rs 342 crores through the pacs by that year, the total credit requirements met by all the institutional sources together will amount to Rs 387 crores leaving a credit gap of nearly Rs 28 crores, i.e., 6.7 per cent of the total estimated potential at Rs 415 crores. Sustained efforts will have to be continued even after 1981-2 to meet almost the entire short-term agricultural needs in UP in another two years, i.e., by about 1983-4.

#### *Chapter 5—Cane financing and cane unions*

90 As is commonly known, until recently, while loans for raising crops other than sugarcane were being given by the DCBs through pacs, loans for sugarcane cultivation were handled by 134 cane unions functioning in the state. However, following an agreement between the representatives of the state and the RBI reached in May 1975, it was agreed that cane unions should act as planning and co-ordinating agencies and not provide production and investment credit, leaving that function to the re-organized pacs to be discharged under the guidance of the unions. The latter should, however, continue to stock fertilizers, seeds and pesticides and supply them to cane growers on credit within the overall credit

limits sanctioned to them by the pacs. In pursuance of this decision, a cash credit system for financing sugarcane cultivation was introduced in all the thirty-one cane growing districts in the state from November 1975. But the new procedure for the financing of cane cultivation evolved jointly by the Cane and Co-operation Departments had led to a number of operational problems as detailed in paragraphs 5.09 to 5.16 of Chapter 5 and has become cumbersome and inconvenient to all concerned. It is therefore, considered necessary to ensure that while the close link of the cane growers with their respective unions is not broken, the procedure is simplified, the overheads for the institutions reduced and timely supply of credit to the cane growers ensured. Towards these ends, we recommend as under:

- (i) The jurisdictions of the ggs may be altered to ensure that one or more ggs, as the circumstances warrant, serve the entire area of a re-organized pacs to facilitate preparation of separate credit limit statement for sugarcane crop for each such society to be submitted in triplicate to the concerned union. The credit limit statement should be approved by the union and recommended for sanction to the concerned DCB/pacs. For this purpose it is also necessary to ensure that as far as possible the area of operation of a re-organized credit society is not divided between the areas of more than one union.
- (ii) Once the credit limit statement is sanctioned to all concerned, a copy each thereof can be retained by the cane union, the branch of the DCB and the concerned pacs.
- (iii) All DCBs should open their branches in the premises of each union in their area and the unions in turn may afford necessary facilities to the DCBs for the purpose.
- (iv) When the canegrower desires to avail of credit under the limit sanctioned as above, he may approach the ggs of his area who should recommend his case for disbursement of finance to the branch of the DCB in the union through the head office of the union.
- (v) The DCB branch on the basis of authorization and as agent of the concerned pacs, can issue to the grower two cheques through the union, one in his favour on the DCB representing the cash component and the other in

favour of the union for supply of fertilizers, seeds, etc., from its sale point.

- (vi) The loan account of the individual grower in the books of the pacs and of the latter in the books of the DCB can be debited on the date on which the cheques are presented for payment.

91 In addition, we suggest that the concerned authorities in the Co-operation and Cane Departments may consider the following aspects:

- (i) All unions may be advised to recommend and undertake to recover the cash portion of the mutually agreed per acre scale of finance for cane cultivation.
- (ii) The restriction that a member of pacs cannot stand surety for more than two borrowers may be suitably relaxed by imposing a ceiling in terms of amount on the indirect liability of a member which should be equal to his direct liability.
- (iii) The unions may supply a list of their defaulters to the pacs in their area and the pacs in turn be advised to ensure that no fresh finance even for crops other than sugarcane is given to such defaulters.
- (iv) The ratio of linking between shareholdings of a member and his borrowings from the pacs of his area may be relaxed to 1 : 20 in the case of small/marginal farmers and to 1 : 10 in the case of other farmers. Suitable relaxation will have to be considered simultaneously in so far as the shareholdings of a pacs with the DCB are concerned.

92 At present, a canegrower lifts stocks of fertilizers against the kind portion of the credit limit for sugarcane from the sale point of the cane union, while fertilizers representing the kind component of the loans for other crops are obtained by him from the sale depots of the Provincial Co-operative Federation (PCF). In order to avoid duplication and ensure that the existing infrastructure is put to the best advantage of cultivators in the cane belt, we suggest that the Co-operation and Cane Departments, in consultation with the Cane Unions' Federation and the PCF, may allocate the villages in the cane districts among the sale points

of the cane unions and the PCF which may be known as the 'composite input distribution centres', so as to ensure that cultivators in the 31 cane districts are in a position to obtain all their requirements of fertilizers from one single point, which is the most convenient and the closest to them. At the same time, with a view to avoiding curtailment of business for either of the two agencies, due care may be taken while allocating villages among the different sale points of the two agencies for distribution of fertilizers.

93 The procedure evolved for the regulation of supply of sugarcane to the factories suffers from the view point of growers from some intrinsic inadequacies, the real solution for overcoming which lies in the cane unions in the state aiming at and ultimately undertaking the undernoted functions:

(i) For ensuring regulated cane supply throughout the crushing season and in adequate quantity to the factory, every cane union should involve itself right from the preplanting stage of the crop. To start with, a list of member growers with acreage proposed to be brought under cane cultivation, may be prepared. Of this, acreage necessary to fulfil the permanent quota may be treated as registered acreage for cane supply to the factory of the area. Growers may thereafter be given a calendar for planting cane in the registered acreage which may, from area to area, be so spread over that after maturity of the crop in one year's time, the union is in a position to maintain continuous cane supply of proper maturity to the factory throughout the crushing season of the following co-operative year.

(ii) As is being done presently, the union, in collaboration with the Cane Department, should thereafter undertake preliminary surveys to find out whether the calendar for planting cane in the registered acreage given by it has actually been carried out.

(iii) Similarly, the Department and the union should undertake a second round of survey of the standing crop during the following September-October to find out the actual quantity of cane that will be available for crushing from the registered acreage. On the basis of this survey, a programme for crushing should be drawn and dates/weeks for harvesting of the crop given to the grower members.

(iv) The harvesting and transportation of cane to the factory on the specified dates should not be left to the growers, but taken

up by the union itself. The discussions during the course of the study revealed that it would not be difficult for the unions to engage for this purpose adequate labour and bullock carts/trucks during the crushing season. To meet the cost, the union concerned can make deduction at certain rate from the ex-gate caneprice at the time of payment of cane price.

(v) The cane supply from a union to the factory of its area can be, as per the arrangement discussed above, properly regulated if the work is entrusted to one organization. It is, therefore, desirable to have, as far as possible, only one union for the area of a sugar factory by amalgamation or readjustment of the areas of operation of the existing unions, if more than one union is presently attached to a factory.

94 We understand that our above recommendations, though ideal, may be difficult of implementation in UP where every cane union is required to deal with a large number of very small growers. At the same time, the advantages that would accrue are very many. In view of this position, the arrangements proposed may be the long-term objective and depending upon the ability of the concerned cane unions to handle it, the Cane Department of the GOUP may consider it for introduction in a phased manner.

95 Presently it is enough for any canegrower to hold only one share of the union irrespective of the quantum of his permanent quota. This is not fair to the small farmers in particular and, therefore, the entitlement of a canegrower to send his cane through the union of his area may be linked with his shareholdings in the union. What exact proportion should be prescribed for the above type of linking may be decided by the Cane Department. Further, excess shares of a grower already held in the cane union over and above the amount necessary to fulfil the linking that will be fixed for cane supply, may be reckoned by the credit society for the purpose of fulfilment (on the part of the concerned grower) of the condition regarding linking of shareholdings with the borrowings from it.

96 There has been a great spurt in the establishment of power crushers for the manufacture of *khandsari* sugar by open pan process. The licensing of power crushers has been entrusted to a



separate wing in the Cane Department. Almost all these crushers are privately owned. The supply of cane to them is not subject to any regulation and growers, therefore, suffer in the matter of weighment and receiving payments. The Cane Department may, therefore, consider whether regulation of supply of cane to power crushers manufacturing *khandsari* sugar and having certain minimum daily crushing capacity should be entrusted compulsorily to the respective cane unions. If this is done, growers will be assured of correct weighment and a reasonable cane price, the business of providing credit and supplying fertilizers will increase and the recovery of credit will be greatly facilitated.

97 Further, it may be necessary to consider whether as a first step towards integration of marketing and processing of sugarcane which is very desirable, some cane unions can have their own power crushers and if so, they may for this purpose proceed on the following lines:

- (i) The unions may locate these crushers in suitable pockets in the 'outside' area from where the cane supply to the factory is very limited and abundant excess cane for crushing to the crusher can be made available.
- (ii) For a crusher with daily crushing capacity of 1000 quintals, the capital cost will be around Rs 12 lakhs. One-half of this cost, i.e., Rs 6 lakhs, may be raised by the union through a term credit from the concerned DCB or the UPGB.
- (iii) The balance cost of Rs 6 lakhs may be raised by the union by issue of 6000 special 'B' class of shares of the face value of Rs 100 each. One-third of these shares of the value of Rs 2 lakhs may be contributed by the state government.
- (iv) The remaining 4000 shares may be sold to growers in the area on the understanding that, holding one share of the face value of Rs 100, will entitle them to send 5 to 10 cart loads of their surplus sugarcane to the crusher of the union for which purpose *parchis* of different colour can be issued.
- (v) The growers need not contribute Rs 100 per share in one lump sum. They may initially contribute Rs 25 per share. For the balance of Rs 75, the RBI may consider

sanctioning them medium-term loans of five years through the normal credit channel under its scheme of sanction of medium-term loans for purchase of shares in processing units. The annual instalments towards the repayment of the term loan so allowed can be recovered through cane payments.

- (vi) To have a wider coverage, no grower may be allowed to purchase more than three special 'B' class shares.
- (vii) The working capital requirements of the crusher can be met by the concerned DCBs or the UPGB.

98 The success of the marketing organization, viz., the cane union and in turn the credit structure in the cane belt depends on the efficiency with which the processing unit has worked and met its commitments. If the sugar factory is a sick unit and is in arrears in making cane payments and commission, the concerned union becomes helpless and the cane growers are put to great hardship. The state government has prepared schemes for modernization of the sick factories under a scheme of financial assistance for the purpose announced by the IDBI in July 1976. How many units will be eligible for assistance and, in the wake of demand for nationalization, how many proprietors would be interested in pushing through these schemes, is not known. Inefficiently managed factories in the private sector, accounting for chronic and heavy arrears in cane payments/commission can no doubt be taken over by the State Sugar Corporation. The major constraint may be that of availability of resources which may be overcome by the Corporation transferring the ownership and entrusting the working of the existing units managed by it to the cane union of the area if it has enlightened management and utilizing the resources thus released to take over some other inefficiently managed units in the private sector. The resources for the purpose may be raised by the concerned union as under:

- (i) The Corporation may agree to charge the same price at which the concerned factory was acquired by it plus the cost of additions, replacements, etc., made by it.
- (ii) Interim finance for the purpose to the cane union may be sanctioned by the UPGB in the first instance.
- (iii) For ensuring repayment of the interim finance, the cane union may issue special class of shares. Every grower

may be required to contribute to the shares in proportion to his permanent quota for the supply of cane. The existing shareholdings of the cane growers in the union may be reckoned for the purpose and eventually converted to the new class of shares.

- (iv) Growers may contribute only 25 per cent of the cost of each share initially. The RBI may consider extension of the scheme of medium-term loans for purchase of shares in processing units for meeting the balance 75 per cent cost.
- (v) The Cane Department and the State Sugar Corporation may help the cane union in the management of the factory initially by providing necessary staff.

The unions are best suited to look to modernization and expansion of the units if owned and managed by them because firstly, they have capacity to build up resources by making small deductions from cane payments, and secondly, the problem of modernization of sick units is likely to gather greater dimensions unless schemes are thought of and implemented to overcome the same. For the same reason, the cane unions constitute the most appropriate medium if organization of a new co-operative sugar factory in their area is contemplated.

#### *Chapter 6—Credit for Dairying*

99 The findings of the field study of the milk unions/primaries in three districts in the state, can in brief be summarised as under:

- (i) A large number of milk primaries are dormant. Of those which are functioning, many are non-viable. Re-organization and revitalization of milk primaries has, therefore, to be effectively tackled in the interest of milk producers and the milk unions.
- (ii) There is enough scope for loans for purchase of milch cattle of improved breed with a view to upgrading the economy of the breeders (producers) and in turn increasing the supply of milk to the milk unions. But the provision of such loans has to be backed by facilities for cultivation of green fodder, purchase of balanced food and maintenance of animal during the dry season.
- (iii) In order to claim complete loyalty of milk producers in

their respective areas, the milk unions will have to play active role in the provision of various facilities to producers in the spheres of health cover and improved breeding. This will be possible if the unions have sufficient financial strength and their activities are closely co-ordinated with those of the Animal Husbandry Department. Besides, constraints experienced in promoting organized collection and marketing of milk will have to be removed.

100 On the basis of the existing rate of commission of 10 paise per litre of milk collected, the average daily collection of milk of a milk primary society for being a viable unit, should be at least 150 litres. For maintaining this average, the daily collection during the flush season should be around 300 litres as the average daily collection during the lean season is likely to decline up to 75 litres, i.e., up to one-fourth of the collection during the flush season. This means that the society to be viable will have to effectively cover between 60 and 75 milch buffaloes.

101 However, the above position emerges if the rate of commission per litre of milk collected is 10 paise. Allowing higher commission to an institution for the activity of collection of milk results in reducing the return from the sale proceeds of milk to the milk producer. From this angle, it is essential that the milk primary functions on the lowest possible margin of commission. Taking into account all aspects of the matter, we are of the view that, it should be possible for an established milk primary to function effectively on a commission of 5 paise per litre of milk collected and this should be the long-term objective. If this is so, a milk primary can be deemed as a viable unit if its daily collection of milk ranges between 600 litres in the peak season and 150 litres in the lean season. This will be possible only if the society effectively covers about 150 milch buffaloes.

102 The next question is what should be the approach for re-organizing the existing milk primary societies and registration of new such societies. In this connection three main questions may have to be considered. Firstly, whether a milk primary to effectively cover about 150 milch cattle, may need a much wider

area than a single village as is the case at present. Secondly, from the view point of convenience of the farmer who generally keeps milch cattle as a subsidiary source of income, whether it is desirable and feasible for him to keep in touch with multiplicity of institutions. Finally, in the context of the re-organization of pacs and their eventual development into multipurpose organizations at the *nyaya panchayat* level, whether it is necessary to have separate milk primaries for collection of milk alone which function can be entrusted to the *nyaya panchayat* level multi-purpose societies. It is clear that whether it is a separate milk primary or the activity is part of a multi-purpose society, the jurisdiction cannot be confined to only a single village in its area, as in such a situation the society will have little or no chance of becoming viable. Now that the pacs have been re-organized on *nyaya panchayat* basis, the area may be the same as that of the re-organized society. The point, however, is whether the same re-organized society should undertake the functions of providing credit, collecting milk, providing feed and concentrates and also health cover etc., or whether a separate society with the same jurisdiction be registered to take up all the functions listed above, excepting the provision of credit.

103 Two viewpoints were expressed in this connexion. One view was that the newly re-organized societies might not be able to handle the more specialized functions connected with dairying and, therefore, it would be desirable to organize a separate society for the purpose initially, the ultimate objective being to merge the milk society and the re-organized pacs in due course. To facilitate the eventual merger, there should be exchange of directors between the two societies. The societies would of course be established only in the milk shed areas and not as parallel to every re-organized pacs. The other view was that the re-organized societies were expected to become truly multi-purpose in character and if they were to provide credit for dairying, there was no justification for their not being entrusted with the other functions, viz., collection of milk, provision of feed and health care facilities, etc. In the initial stages even a milk society with *nyaya panchayat* jurisdiction might find it difficult to become a viable unit as it would take a long time for it to develop the minimum turnover needed for the purpose. The re-organized pacs with a larger

income potential might be able to undertake the functions with little assistance from outside. It would be appropriate if the government was called upon to assist financially only one unit than two, for in the latter case the financial burden was likely to be more. According to this view point, therefore, there was no need to have separate milk primary societies even with *nyaya panchayat* jurisdiction and no such new societies should be registered in the future and that the functions should be entrusted to the re-organized pacs.

104 Those who held the second view point, however, felt that while the recommendation might be enforced only in respect of new milk primaries, some of the existing societies might be allowed to function but with an extended jurisdiction coterminus, if necessary, with that of the re-organized pacs to improve their chances of attaining viability quickly. Accordingly, of the existing 3675 milk primaries those having daily collection of milk of 50 litres or more might be retained with wider jurisdiction. Such primaries numbered 545 or only about 15 per cent of the total. The suggestion was made primarily from the view point of the farmers who might suffer, if the existing arrangements were dislocated. There was, according to this view point, no justification for continuing the rest of the societies as they would hardly attain viability in a reasonably short period of time and, therefore, these societies might be merged with the re-organized pacs or liquidated taking into account the financial position of each such society.

105 With the re-organization of pacs on *nyaya panchayat* level basis, there is already a viable organization at the base level to look after the business of credit supply. Secondly, if a milk primary is tagged with the business of supply of credit, it will do so at the cost of ignoring its main functions of milk marketing and provision of allied services to the milk producers. It is, therefore, desirable that medium-term loans for purchase of milch cattle are routed through the normal credit channel and suitable instructions in this behalf may be issued to all DCBs.

106 In certain quarters a view is expressed that if milk primaries are allowed to route loans for purchase of milch cattle,

they would be in a better position to command loyalty of their producer members. This contention is not tenable, inasmuch as, the closeness of links between milk producers and their milk primary society depended mainly on the ability of the latter to provide facilities for better breeding and cattle health cover. But in order to ensure effective linking between the supply of credit for purchase of milch cattle and marketing of milk, it is desirable that applications for such loans are collected by the milk primary where it exists and transferred with recommendations to the milk union which in turn should, after recording its own recommendations and undertaking to make recoveries out of milk payments, hand over the same to the concerned branch of the DCB. At the branch level the supervisor should, with the help of the secretary of the pacs get other formalities like the preparation of the society's medium-term credit limit application with a resolution of the managing committee, etc., completed. After the loan is sanctioned by the DCB, it may be disbursed to the milk union which should arrange for purchase of milch cattle through purchase committees already constituted or being constituted in each district. The above procedure, if followed, will not only ensure effective linking between credit and marketing, but also help to build up closer links between the milk producer and the milk primary of his area.

107 It will be in the fitness of things, if the milk union is entitled to a small commission, say, at 0.50 per cent, from the DCB on the amount of recoveries made by it for the bank.

108 In so far as refinance to DCBs with overdues under medium-term loans in excess of 50 per cent of the demand is concerned, it is understood that the RBI considers sympathetically the cases of banks whose overall recovery performance is quite satisfactory and in whose cases the outstandings under medium-term loans are around 10 per cent or below of the total outstandings. The RCS/apex bank may bring this fact to the notice of banks like the Aligarh DCB.

109 The linking between shareholdings and borrowings prescribed by the RCS in respect of medium-term loans, including those for purchase of milch cattle, is 1 : 10. The same may have to be relaxed to 1 : 20 in the case of small and marginal farmers.

Incidentally, it is this class of farmers which pools almost its entire milk production for supply to the union's dairy, for, their personal consumption is meagre.

110 For the repayment of the loan of Rs 2000 availed of for purchase of a milch cattle with interest at 14 per cent thereon, a milk producer in Uttar Pradesh will have to be allowed three full lactation periods and counting the intervening dry periods, the total period will work out to 45 months. If a month or two after disbursement of loan for purchase of milch cattle are allowed as grace period, the total period of medium-term loan for the purpose may have to be 48 months or 4 years. The surplus left with the borrower works out to about one-third of the sale proceeds of milk. But making provision for a minor short-fall in production, it will be safe to divert at least 40 per cent of the sale proceeds of milk towards repayment of the medium-term loan for purchase of milch buffalo over a period of 48 months. The repayment schedule should be so adjusted that a person pays every month of lactation a sum which takes care of no repayments during the lean period. It should be ensured that in a period of 16 months  $\frac{1}{3}$  of the loan amount together with interest on the outstanding balance is recovered from the borrower.

111 If as explained above, a period of 48 months is allowed to an individual producer for the repayment of loan for purchase of milch cattle, he should be able to find resources out of the sale proceeds of milk to properly maintain his milch buffalo both during the lactation and dry periods. In practice, however, this does not happen as often the available resources are diverted for meeting other family expenditure at the cost of neglecting the maintenance of milch cattle. The result is that milk yield is adversely affected, thereby putting the interests of the credit institutions as also the milk primary/union in jeopardy. The way out is to make arrangements for supply of cattle feed, concentrates, green fodder, medicines, etc., in kind on credit and recover the credit so extended from out of an additional deductions from the sale proceeds of milk.

112 A cash credit of Rs 700 per milch buffalo can be considered for the above purpose. The limit can be sanctioned at the beginning



of the dry season with the condition that, it should be brought to nil at the end of the following lactation period, when it will be considered for renewal. Even if the borrower desires to cultivate his own green fodder, he may be allowed to make cash draws on the limit to the extent of Rs 100 only to meet expenditure towards labour, ploughing, etc., for such cultivation. Otherwise, all draws on the limit should be allowed in kind. This means the milk union concerned will have to make arrangements for supply of cattle feed, concentrates, green fodder, etc., through the affiliated milk primaries. The cash credit account should automatically come to credit, if additional 25 per cent of the sale proceeds of milk (i.e., over and above 40 per cent of such proceeds that are diverted for repayment of medium-term loan) are adjusted to cash credit account. This, however, will be the position if the milk producer is regular in supply of his milk to the milk primary.

113 The best agency for purveying the above type of credit shall be the re-organized pacs of the area which should fix such cash credit limits of individual producers on the basis of recommendations of the concerned milk primary/union. The former in turn can be sanctioned a suitable cash credit limit by the DCB. Keeping watch on the individual beneficiaries should be the function of the milk union/primaries. In so far as the DCB is concerned it should insist on the pacs bringing its cash credit account to credit for being eligible for the renewal of the cash credit limit sanctioned to it.

114 The ability of the milk unions to ensure provision of various extension facilities through the milk primaries will depend on their own financial strength. With the re-organization of milk primaries and introduction of arrangements for supply of credit which had been proposed in the above paragraphs, the milk unions should be able to ensure adequate collection of milk to work their plants up to their optimum capacity. This itself will help the unions improve their financial position considerably. But one major constraint for the unions which are having their own plants, is the burden of government loan and interest with the backlog thereon. If the unions are to divert their surplus earnings, when they accrue as a result of adequate milk supply, towards meeting the above liability, they will not be in a position to undertake the

various extension functions expected of them. Already, by virtue of experience of running the dairy at Agra, the government may have realized that the running of a dairy involves an element of social welfare, especially because the prices of raw milk and pasteurised milk and milk products are regulated. This being the position, it may be appropriate for the government to consider actively the conversion of the present government loan into government share capital contribution with retrospective effect. If allowing retrospective effect for this purpose is not feasible, remission of the past interest may be considered.

115 In the interest of efficient functioning of the milk unions in the state, it is necessary to ensure that the capacity of the plants they may be having is fully utilized almost throughout the year. As the milk unions in the state operated independently of each other and as no attempt was made to co-ordinate their activities, the excess receipts by one during a given period could not be diverted to other unions where the plants operated much below their rated capacity. The Milk Commissioner of the GOUP who participated in our deliberations on the subject of dairying, was of the view that a state level Dairy Corporation charged with necessary powers to regulate the working of all the milk unions in the state might have to be registered for this purpose. The consensus among the members of the Team, however, was that the existing Provincial Co-operative Dairy Federation (PCDF) which was the federation of the milk unions in the state should be, instead of a new Corporation, in a position to serve effectively the desired objective, if it was activated and organizationally and financially strengthened. We recommend, therefore, that the GOUP may take suitable steps to provide the existing PCDF with a strong capital base and complement of trained staff so as to ensure that it emerges as a strong federation of all the milk unions in the state and that there is an effective organic link between the former and the latter. Further, the PCDF should be empowered to balance the milk supplies between the affiliated milk unions as also to control and direct the operations of the processing units.

116 To enable the unions to undertake the functions of supply of green fodder, concentrates, cattle-feed, etc., they may be allowed to deduct at least one or two paise per litre from the milk price

and carry it to a separate development fund. The commission on recoveries of loans that will be received from the DCB of the district as proposed earlier, should also be credited to the above fund.

117 The success of the arrangements suggested above will depend on the ability of the unions and the Animal Husbandry Department in providing adequate health cover facilities for the milch cattle of the members of the milk primaries. For this reason, it is suggested that the secretary of the milk primary should be trained in first-aid work. For similar reasons, it is desirable for the Animal Husbandry Department to locate its stockmen centres at every roadside purchase centre of the milk unions. Besides, it may be advisable to cover some specific areas having potential for dairy development with integrated projects of the type launched at the initiative of the Milk Union of the Aligarh district. All this will call for full co-ordination between the milk unions on the one hand and the staff at all levels of the Dairy Development and Animal Husbandry Departments on the other. This aspect may be given due consideration by the concerned authorities in the state government.

#### *Chapter 7—Overdues in co-operative credit institutions*

118 For tackling the problem of overdues in the co-operative credit institutions in UP, the overdues may be divided into two broad categories as the treatment of these will vary in the two categories. In the first category may be included the overdues arising in the year 1973-4 and subsequent years ending on 30 June 1976. The second category will consist of all defaults arising in 1972-3 and the previous years and subsisting on 30-6-1976. On that date these defaults would have been three or more years old and could thus be classified as chronic overdues.

119 All defaulters with cultivated holdings in villages affected by natural calamity in one or more years, i.e., where the *annewari* declared was 6 annas or less, during the three-year period 1973-4 to 1975-6 should be considered as non-wilful and eligible for relief under a rehabilitation programme, provided their defaults had occurred during the period November 1973 to June 1976, with the exception of the following categories of borrowers:

- (a) those who have either deceived the society by showing false land holdings or crops with a view to securing more credit than they would have been otherwise eligible for, or have been issued fresh finance, although they were in default to their society;
- (b) those who had obtained loans for cash crops like sugarcane in conjunction with other crops, provided the income from the former is at least 75 per cent of their gross agricultural income;
- (c) those whose gross agricultural income is above Rs 5000 per annum; and
- (d) those who are income-tax assesseees.

The exclusion of defaulters in category (d) is necessary to deny relief to those who no doubt may have small holdings, and, therefore, low agricultural income, but in fact are having non-agricultural income of taxable level and are relatively affluent.

120 The nature and extent of relief to non-wilful defaulters defined above may be as under:

(i) *Default under one loan*

If the default is in respect of only one short-term loan, the amount may be converted into three-year medium-term (rehabilitation) loan.

(ii) *Default under two loans*

A six-year rehabilitation loan will be required to accommodate within the repaying capacity, the aggregate burden in respect of two loans, i.e., a medium-term loan and a short-term loan, which need conversion as well as the short-term loan for current agricultural operations.

(iii) *Default under three loans*

If the natural calamity recurs for the second consecutive year and the borrower is granted conversion facilities in the first year, but denied rephasing facilities in the second year, the default might be in respect of three loans, viz., a conversion loan, a short-term loan and a medium-term loan, the latter two having been borrowed in the second year of natural calamity. In such a

situation, fifty per cent of the earliest converted loan in point of time, may have to be written off and the balances of this loan and the remaining two loans in aggregate can then be re-scheduled as a seven-year loan which will keep the annual repayments within the repaying capacity.

(iv) *Default under four loans*

If the calamity was for three successive years and if the borrower was granted conversion in the first year followed by rephasing in the second year, but denied re-scheduling facility in the third year, the default can be, though it may merely be a theoretical proposition, under four loans, viz., three short-term loans including the one not converted in the third year and a medium-term loan. In such an extreme case the write off may have to be for (a) the full amount of the first conversion loan and (b) 50 per cent of the second conversion loan. If this is done, the balance of the overdue loans can be re-scheduled as a seven-year loan.

(v) *Part repayment of defaulted amount as pre-condition for relief*

Such of those as are eligible for inclusion under the rehabilitation programme, but have also enjoyed the benefit of one or two normal years during the three-year period 1973-4 to 1975-6, should pay at least 25 per cent of the aggregate principal amount under default, together with overdue interest (but excluding penal interest), to be eligible for relief as indicated at items (i) to (iv) above, provided the current year (1976-7) is a normal year for them. However, if the aggregate payment as above exceeds 60 per cent of the value of gross produce of the concerned defaulter, that part of the excess should be reduced from the principal amount required to be paid by the defaulter and the balance converted as a rehabilitation loan. Full payment of overdue interest (exclusive of penal interest) should, however, be insisted, even in cases where none of the preceding three years was a normal year. Further, it may be noted that on account of insistence on repayment of part amount of the principal in default before granting relief, the annual repayment schedule in respect of defaults under two to four loans, at items (ii) to (iv) above, can be suitably reduced and in the case of defaults under three or four loans, there may not be

any need to resort to write off a part of the aggregate defaulted principal amount as suggested.

121 A rough estimate of the amount that may qualify for conversion into rehabilitation loans indicates that the non-wilful defaults may amount to about Rs 12.81 crores forming about 20 per cent of the total estimated overdues at the primary level.

122 We suggest that the DCBs in the state should not in future hesitate to extend stabilization assistance to all eligible borrowers whose crops are extensively damaged by a natural calamity and if and when such contingency arises, the UPGB should take a lead in the matter by advising, well in advance, the affected banks of the procedure to be followed in extending relief and for obtaining refinance for the purpose from it and the RBI.

123 No separate financial assistance is considered necessary to the concerned DCBs for conversion of non-wilful defaults into medium-term rehabilitation loans, as equivalent funds of the banks are already locked up in such overdues. However, we reiterate the recommendation of the Overdues Study Team that, the RBI may take a liberal view of the share capital requirements of such banks as have to provide sizeable relief to non-wilful defaulters. The period of repayment of the share capital loans may, however, be limited to the period of repayment allowed for rehabilitation loans.

124 The work of identification of non-wilful defaults and deciding the period of rehabilitation loans in each case may be taken up by Branch Level Assessment Committees comprising the branch manager of the DCB, the concerned supervisor, the Assistant Development Officer (Co-operation) of the block and a non-official connected with a pacs from the area. The whole work may be completed as early as possible, but not later than 31 May 1977 so that non-wilful defaulters become eligible for fresh finance and are actually released such finance in time for *khari* 1977.

125 Under the Central Sector Plan Scheme for the Rehabilitation of Weak Banks, assistance is available from the GOI for writing off a portion of bad and doubtful debts, accumulated losses and

other overdues over three years, subject to certain terms and conditions, including release of a matching assistance for the purpose by the GOUP and assistance at the prescribed rate from the UPCB, when chronic overdues paralyse the working of the banks and render them unserviceable as channels for purveying credit flowing from the higher financing agencies.

126 The point is how best the assistance available as above can be utilized so that the DCBs concerned and the pacs are able to enjoy larger credit limits and in turn help adequately the non-defaulter cultivators in their area and whether such assistance as available under the GOI scheme can be thought of for the other 25 DCBs not covered, or not likely to be covered by the GOI scheme. The desired objective under the first issue will be fully served, if all chronic defaults of the institutions are blocked in a separate collection account within the institutions themselves and the demand in respect of dues so blocked is spread over according to the expected time-schedule of recovery, which in majority of cases may be through long drawn out coercive action. At the same time, it is necessary to ensure that the facility is extended only to such DCBs as are equipped to ensure an improved recovery performance of their future demand. Further, as regards the second part of the issue under consideration, we feel that no distinction may be made between a DCB (and its affiliated pacs) covered by the GOI scheme and a DCB not so covered, as a separate state level scheme on the lines indicated later can be considered for the latter type of DCBs. In result, we recommend that the chronic defaults, both at the primary and intermediate levels, may be blocked in a separate collection account in respect of all those DCBs as are in a position to attain a minimum recovery of 60 per cent as on 30 June 1977 in relation to the demand for the year 1976-7. The action for blocking of such defaults in a collection account may be taken on the lines indicated in paragraph 7.20 of Chapter 7.

127 The chronic defaults blocked in collection account as above will be of two types, viz., (a) the defaults which can be accounted for and can, therefore, be recovered over a period of time, say, three years and (b) defaults which are unaccountable representing the cases of loans without documents, misappropriation of

recoveries, *benami* loans or otherwise irrecoverable, etc. The defaults of the second type may have to be written off by debit to 'Rehabilitation Fund for Weak Pacs' account which will be a fund constituted under the GOI scheme or the state level scheme proposed by us. To start with, blocking of the chronic defaults in a collection account both at the level of the pacs and the concerned DCBs on the lines indicated above may be completed by 31 December 1977.

128 Branch level Assessment Committee comprising the branch manager, the concerned inspector/supervisor of the DCB, the co-operative extension officer of the block and a non-official from the area should investigate, society-wise, every individual blocked loan case to decide whether the defaulted amount can be accounted for and recovered over a period of time or whether the default is unaccountable and has to be written off. The proposals of the Assessment Committees in a district may be put up for final approval to a 'District Level Review Committee' comprising the Chairman and the Secretary of the DCB, the ARCS of the district and a representative of the UPGB. The decision of the 'District Level Review Committee' may be ratified by the board of directors of the concerned DCB. The whole work may be completed by 30 April 1978 by which date the aggregate amount of loans which are to be written off and which are to be recovered through coercive action should be available.

129 In order to enable the DCBs to use the assistance provided under the Central Sector Plan Scheme on the lines suggested by us, we suggest that the GOUN may move the GOI, not to insist on limiting the write off to only amounts due from small farmers because once the defaulter has been identified as *benami* or not traceable or not having any assets, it is immaterial whether he is a small or big farmer as per the loan records.

130 In so far as loans in collection account other than those to be written off are concerned, it is suggested that the demand in respect of such loans during the three-year period 1978-9 to 1980-81 may be reckoned at one-third of the amount in the collection account thereof at the end of each co-operative year. We recommend that this arrangement may be accepted by the



RBI for the purpose of deciding the eligibility of the DCBs for short-term and medium-term agricultural credit limits from it, provided the UPCB agrees to make good the shortfall between the actual recoveries and the demand so reckoned, by way of sanction of a term loan for equivalent amount, if the balance available in the 'Rehabilitation Fund for Weak Pacs' account over and above the amount earmarked for write off, is not sufficient to cover the shortfall in recoveries. Such additional assistance from the UPCB, if warranted, will go to improve the liquidity of the DCB concerned. The apex bank's loan may be repayable as and when corresponding recoveries are actually made and carry interest at a rate higher by at least 2 per cent than the normal lending rate for short-term agricultural purposes. Besides, the concerned DCB should appropriate out of its profits annually a sum equivalent to five per cent of the shortfall in recovery to the bad debt reserve. The involvement of the UPCB as proposed above will ensure that due pressure is exerted on the DCBs for the recovery of wilful defaults as also instalments of re-scheduled loans and that the banks do not encounter a difficult financial position if the expected level of recoveries does not actually forthcome.

131 The arrangements proposed for tackling the problem of chronic defaults will be of great help to the DCBs and the re-organized pacs, inasmuch as, the burden of old defaults on the DCBs will not obstruct their claiming higher credit limits from the RBI, thus enabling the banks to shoulder increased responsibilities in the matter of lendings envisaged by us for them. The pacs in turn will be in a position to route a larger quantum of credit through them and improve substantially their effective coverage. We would, therefore, urge the GOI, the GOUP and the RBI to accept our proposal as a special consideration for the co-operative credit structure in UP.

132 Unless, effective and energetic steps are taken for the recovery of the balance of overdues after taking care of non-wilful and chronic defaults, full benefits of the measures proposed by us to rehabilitate the non-wilful defaulters and to clear the institutional channel of the backlog of overdues, will not accrue. In short, the implementation of our recommendations for overcoming the problem of non-wilful and chronic defaults should be subject to a

commitment on the part of the GOUP to actively involve itself in the recovery drive, by ensuring concerted action on the part of departmental staff as in the year 1975-6 with full involvement of the non-official leadership managing the affairs of the co-operative credit institutions.

133 It has been recognized that financial supervision over the pacs should be the responsibility of the DCBs and, therefore, control over the supervisors should vest in the banks. But since the GOUP have gone ahead with the constitution of a cadre for supervisors, we suggest that the government may take immediate action to place the credit supervisors for their day-to-day work under the effective control of the Executive Officer/Secretary of the DCB and to arrange for the evaluation of their work on the basis of annual reports from the above official of DCBs.

134 Further, in the above context, we would like to refer to the recommendation in the Staffing Pattern Report regarding duties of the supervisors and control over them by the DCBs. We suggest that the GOUP may give serious consideration to the recommendations in the said Report in this behalf for implementation. At the same time, it is necessary to ensure that a supervisor is required to exclusively attend to the work of the bank and the societies only and the departmental work could be taken care of by the concerned Additional District Co-operative Officer who may not be burdened with the inspections of societies, etc., as the same work would be taken care of by the supervisors.

135 The machinery of *Kurk Amins* presently exists for execution of co-operative awards. A *Kurk Amin* is a contract worker and, therefore, it is not possible for the Co-operation Department or the DCBs to review his work and ensure prompt disposal of execution petitions. Instead of continuing with such an institution in its present form which is ineffective, it is desirable to create a permanent machinery within the co-operative fold for execution of awards.

136 The pace of disposal of award cases and execution petitions cannot be considered satisfactory. In the case of UP, we suggest that awards may be passed by the ARCS as at present and in case

the number of award cases is large, one additional ARCS may be posted specially for passing the awards. In so far as execution of awards is concerned, the powers to act as Recovery Officer may be vested in the concerned Additional District Co-operative Officer for all awards up to a certain amount, say, Rs 500 and in the ARCS or Additional ARCS, as the case may be, if the decreed amount exceeds this ceiling. The powers of Recovery Officer should include powers to proclaim sale and fix auction date. Further, the office of the Additional ARCS may be located in the premises of the head office of the concerned DCB.

137 The sale officers may be the *Kurk Amins* as at present for the work of actual attachment of the defaulter's property and conducting auction for its sale. But instead of engaging their services on contract basis as at present, their appointment may be regularised as government servants. Besides, wherever the workload on the *Kurk Amins* is heavy, the RCS may consider empowering the staff of the DCBs, particularly the supervisors, to perform the duties of sale officers for which purpose they may be entitled to full protection that is available to public servants in the discharge of their statutory duties. The collection charges as levied at present at 10 per cent of the amount decreed may be continued to be recovered and transferred to a separate fund known as the 'Collection Fund' to be maintained with the concerned DCB. Suitable rules may be framed for the use of this fund which may be operated by the ARCS and should be subject to the audit by the government auditor. The salaries of the *Kurk Amins* should be a charge on this fund and the deficit, if any, should be borne by the state government.

138 The district level officers of the Co-operation Department have not been provided with vehicles which has proved to be a major constraint in performing their promotional and recovery functions effectively. It is suggested that the GOUP may arrange to provide vehicles to each of the ARCS at the earliest; preference being shown in respect of those posted in the Hilly region.

#### *Chapter 8—Managerial and operational issues*

139 The board of directors of an institution like the DCB which largely comprises the elected non-official representatives ensure

full involvement of the non-official workers/leaders in the formulation of plans and policies of the institution within the framework of its byelaws. In UP, a large number of boards of directors of the DCBs were under supersession for failure to conduct elections either before the expiry of the term of the then existing boards or in accordance with the relevant amended provisions in the State Co-operative Societies Act. The way out, in our opinion, is to incorporate a provision in the State Co-operative Societies Act itself for some self-acting system of holding fresh elections prior to the date on which the term of existing board/committee of management is due to expire. It is reported that for speedy elections a legislation on some such lines is being drafted by the RCS. We would suggest that action for bringing the legislation into force may be taken quickly so that an effective self-acting system of holding elections to the boards of management of co-operative banks will stand introduced in the state.

140 Supervision and control of the cadre for the secretaries of pacs has been vested in a State Cadre Authority (SCA) and two committees, viz., the Regional Administrative Committee (RAC) and the District Administrative Committee (DAC). In terms of Rule 13(3), the chairman of the DAC (who shall be the chairman of the concerned DCB) will have the power of suspending a cadre secretary from the district subject to prior concurrence of the ARCS. This position is anomalous inasmuch as certain decisions of the chairman would require approval, of not the Committee, but an individual member of the Committee. Since the decisions of the chairman in this respect can, in the event of miscarriage of justice, be revoked either by the DAC or on an appeal by the RAC, prior concurrence of the ARCS is redundant and may be done away with. Further, it is reported that in some districts there is an erroneous impression that all decisions of the DAC will require approval of the ARCS before implementation. It is necessary to remove this impression also by issue of suitable clarification to avoid unpleasant situations.

141 For the purpose of posting of secretaries from the cadre, the societies have been classified into four categories on the basis of annual lending in the previous co-operative year, which will create considerable administrative difficulties in the day-to-day

management of the cadre. It is, therefore, advisable to classify the societies into various categories on the basis of total outstanding loans and advances as on 31 December of the previous co-operative year.

142 In regard to the secretaries in Grade I of the cadre we suggest that the services of the supervisors or the ADCOs may not be utilized for posting as secretaries of the LSS as the supervision over them will be exercised by the officials of the same rank in the supervisors' cadre. Instead, suitable persons from the cadre of secretaries in Grade II may be considered for promotion to Grade I. Further, the latter may be given preference by the PCU and the GOUP at the time of recruitment to the posts of credit supervisors and ADCOs respectively.

143 There is no representation to any non-official on the selection committee for fresh recruitment to the lowest grade in the cadre. In such circumstances, the nomination by the RCS on the selection committee may be restricted to non-officials to ensure their involvement in the selection of candidates.

144 In terms of Rules 18 and 19, contributions from the pacs are to be pooled in a separate account styled 'State Primary Centralised Service Fund' maintained at the level of the DCBs and any deficit arising in maintaining the cadre secretaries may have to be met on a 50 : 50 basis by the UPCB and the DCBs, if so directed by the RCS. In order to keep the need for the state government subsidy and the burden on the UPCB/DCBs to the minimum and with a view to ensuring that the scheme becomes self-supporting within a short period, the pooling of contributions at the state level is necessary. The DCBs may also contribute to the cadre fund in relation to their loan business and the shortfall thereafter may be made good by the GOUP by way of grant-in-aid. This will avoid the necessity of providing managerial subsidy except for the initial 2-3 years by the GOUP and reduce the burden on the latter.

145 In order to ensure that there are no arrears in the recovery of contributions from the pacs, the Rules may specifically provide that recovery of contributions from every society will have

precedence over the recovery of interest, etc., and will be a first charge on the remittances from it to the DCB. This will keep the cases of defaults requiring coercive action as provided in existing Rule No. 16, to the bare minimum.

146 We recommend action on the following lines for collection of contributions from the pacs, pooling of such contributions in a cadre fund at the state level and administration of the Fund.

- (i) Contributions to the cadre fund may be collected from the societies as well as the DCBs in relation to their short-term and medium-term loan business. In the case of societies, the contribution may be at the rate of 1.30 per cent of the loans borrowed by a society during the year from the DCB and these may be credited to the state level cadre fund. The DCBs may themselves contribute to the said fund at the rate of 0.10 per cent of the short and medium-term loans issued to them in a year by the UPB. However, unlike a DCB, the commercial banks where they are acting as cfas, may not make contributions to the cadre fund, but lend to the societies financed by them at a rate lower by 0.10 per cent than the rate they would have otherwise charged to the societies and recover from the latter for transfer to the cadre fund a contribution at 1.40 per cent of the loans issued by them to the societies.
- (ii) The contributions recovered from the societies in a district should be passed on to the account of the State Cadre Fund with the UPB according to the directions of the SCA.
- (iii) The management of the 'Cadre Fund' at the state level should be the responsibility of the SCA which should make suitable allocations from the fund to different DACs for meeting the salaries of the secretaries in their respective districts.
- (iv) The SCA may require the DAC to manage that portion of the Cadre Fund which is earmarked and made available to it.

Suitable amendments may be carried out in the 'Uttar Pradesh

Primary Agricultural Co-operative Credit Societies Centralised Service Rules, 1976' to incorporate our above recommendations.

147 The economics of the cadre worked out by us reveals that if the contributions are pooled in the state fund there will be deficit of the order of Rs 3.24 crores during the first four years only which may be borne by the state government. The scheme will not only become self supporting from the fifth year but leave a surplus which can be utilized for additional hands that may be necessary as the business develops or for recruiting better qualified and, therefore, better paid staff than what has been assumed. Alternatively, even a reduction in the contribution may be considered.

148 While welcoming the action taken by the GOUP in setting up a common cadre for the secretaries of the DCBs, we would reiterate the recommendation in the Staffing Pattern Report that, the other key personnel in the DCBs, like the Chief Accountant, the Executive Officer and the Development Officer as also the officers of the UPCB below the level of Deputy Secretaries may be included in the common cadre which may be called the 'Common Cadre for Key Personnel'.

149 We suggest that the UPCB may collect contributions to the Common Cadre Fund in lieu of the key personnel provided, from all DCBs at the rate of 0.25 per cent per annum of the short-term agricultural loans advanced to them by it and also put in its own contribution at the rate of 0.10 per cent per annum of the total short-term agricultural loans advanced to the DCBs. As per our estimate, the contributions receivable as above in the Fund will cover the cost of maintaining the cadre of officers right from the first year, i.e., 1977-8.

150 When such a cadre is established, we suggest that there should be interchangeability in the cadre officers posted in the DCBs and UPCB which will facilitate exchange of experience. Further, the positions in the UPCB at the levels of Deputy Secretary and above may also be filled by giving preference to officers from the common cadre. While the posts of cadre officers may be filled by selection from amongst the existing personnel, the remaining

vacancies and also in the future recruitments, the staff of the UP CB, DCBs as well as the Co-operation Department with suitable background and qualifications should be considered and given preference.

151 The Rajasthan Study Team which has gone into the question of interest margins in depth has suggested that the effective interest margin retained at the level of the apex bank should be 0.75 per cent, at the level of DCBs 2.00 per cent and at the level of pacs 2.50 per cent. In UP, the government is thinking in terms of reducing the rate of interest to the ultimate borrower to 13 per cent per annum. There is, however, a persistent demand that marginal farmers with cultivating holdings of one hectare or less, either as owners or tenants, should be entitled to the benefit of a differential rate of interest. We recommend that instead of reducing the rate of interest on the short-term agricultural loans to all categories of farmers by 1 per cent, the UP CB may lend to the DCBs at 8.25 per cent per annum and the DCBs in turn should advance short-term agricultural loans to the pacs at 10.50 per cent per annum. The pacs on their part should advance short-term agricultural loans to all farmers other than marginal at 14 per cent and to marginal farmers at the differential rate of interest of 7.25 per cent per annum. The difference of 6.75 per cent is all that is feasible and may not be considered insignificant.

152 If the above recommendation is accepted and if the UP CB is allowed to debit interest with half-yearly rests directly to the loan accounts of the DCBs, the exact overall effective margin retained at each level will be 0.80 per cent (exclusive of tax liability) for the UP CB, 2.10 per cent for the DCBs and 2.50 per cent for the pacs. This is almost in conformity with the recommendations of the Rajasthan Study Team. We suggest, therefore, that the UP CB may be allowed to debit interest with half-yearly rests directly to the loan accounts of the DCBs, provided all our other recommendations in this behalf are accepted and implemented.

153 In some districts, however, — and this is particularly the situation in the wholly hilly districts of Almora, Chamoli, Garhwal, Pithoragarh, Tehri Garhwal and Uttar Kashi — the share of the marginal farmers in the total loans may be much higher than



15 per cent assumed by us for working out the differential rate of interest proposed earlier. For instance, in the above hilly districts the holdings of marginal farmers form 72 per cent of the total holdings but account for 41.3 per cent of the total cultivated area. It may, therefore, be safe to assume that in these six districts 30 per cent of the total finance will go to marginal farmers. If this is so, the pacs in these wholly hilly districts will have to operate with an overall rate of 11.98 per cent, if the same differential rate of interest as in the plane districts is charged to marginal farmers. The overall interest margin to them will be reduced to 1.48 per cent as against 2.50 per cent recommended by us. This will thus reduce their total income and result in a gap between their income and expenditure. If, however, the cost of the full-time paid secretaries provided to all the pacs in the Hilly region is met by the state government by making requisite contributions on their behalf to the state level cadre fund fully for the first four years and thereafter to the extent necessary after adjusting the surplus in the fund, the reduction in the income of the societies in the hill areas should not be a cause for concern.

154 The RCS in consultation with the Finance Secretary, GOUP, who controls the audit of co-operative societies/banks, may issue instructions to all the banks and the concerned audit staff, to treat only that portion of interest receivable which is due on overdue loans and advances as overdue interest and to make a provision therefor under a separate account styled 'provision for overdue interest', to be opened in the books of each bank, before arriving at the published net profit. A legal provision on the lines of section 65 of the Maharashtra Co-operative Societies Act 1960 may also be incorporated in the Uttar Pradesh Co-operative Societies Act for the purpose. The appropriations for various purposes including transfer to statutory reserve fund and education fund should be from the published net profit arrived at as proposed above.

155 Depending on the potential in the area of each DCB, the UP CB may fix bank-wise targets for mobilization of additional deposits. The fulfilment of these targets should be scrupulously ensured by the Regional Offices of the UP CB, so that each DCB in the state is entitled for a concessional rate on its entire

borrowings from the UP CB/RBI. Simultaneously, the GOUP may quickly take whatever further steps are necessary to facilitate extension of the benefit of deposit insurance to the co-operative banks in UP.

156 The disbursements of instalments of loans for medium-term agricultural purposes are made by the pacs. However, such disbursements are not made after satisfying by a spot verification that the instalment/s released earlier have been fully and properly utilized. We suggest, therefore, that the instalments of medium-term loans for purposes in respect of which the repayment of loan is to be out of incremental income may be disbursed directly by the concerned DCB after undertaking the necessary spot verification in this behalf.

157 We would urge on the managements of the DCBs in the state to persuade the affiliated pacs to enlarge their effective coverage of small and economically weak farmers so as to ensure the financing of these weaker sections of the rural community adequately. Further, officers of the Co-operation Department at the district level may also actively associate themselves with the DCBs in the above urgent task for achieving the desired objective.

158 It is recommended that suitable amendment may be carried out to incorporate a provision in the State Co-operative Societies Act by which an agriculturist is enabled to create a charge as security for the loan availed of by him on the property he owns or in which he has an interest, by way of a declaration in favour of a primary agricultural credit society or a DCB. The amendment can be somewhat on the lines of section 48 of the Maharashtra Co-operative Societies Act, 1960.

159 The standards of audit classification for DCBs prescribed in UP are in pursuance of the RBI's instructions issued some two decades ago. We recommend that the RBI may take an early decision on revising the standards for audit classification of DCBs on the lines of its proposal of 12 March 1975. While doing so, the procedure adopted by us for rating the efficiency of a DCB may be given due consideration.

160 The RCS will have to initiate action and vigorously pursue it to ensure implementation of the various recommendations made by us. This will obviously add to the already onerous duties and responsibilities with which his hands are full at present. We, therefore, hardly need emphasize the necessity of strengthening the Registrar's office with suitable complement of staff at all the levels not only in the headquarters but also in the districts. We, therefore, urge the Government of Uttar Pradesh to give careful consideration to this aspect on priority basis.

161 The rapport of co-operative credit institutions with the extension agencies is very vital for the success of their loaning programmes in agricultural and allied sectors. Thus, there is need for complete co-ordination between the activities of credit institutions and the extension staff at various levels of the concerned technical departments. Such a co-ordination can be achieved by setting up co-ordination committees at various levels and wherever feasible even staff of the specialized department/organizations can be placed on duty with the co-operative credit institutions/Co-operation Department for facilitating close co-ordination.

162 The co-operative agricultural credit institutions in UP are on the threshold of witnessing a sustained progress. We have in this report proposed an ambitious plan for the period of the next five years for taking their business to a level which will make UP rank among the co-operatively most developed states in the country. We are confident that the same degree of hard work put in during the current and the last co-operative years will be ensured by all concerned for implementing the various suggestions/recommendations made by us.

163 A constant review regarding implementation of our recommendations by a high-power committee will be necessary. Such a committee may be set up at the state level by the GOUP under the chairmanship of the Chief Secretary. The other members of the committee may be the Principal Secretary in charge of Agriculture and Co-operation Departments of the GOUP; RCS, UP; Commissioner for Hill Development, UP; representative each

of the GOI in the Ministry of Agriculture and Irrigation (Department of Rural Development), RBI's ACD and DBOD and the Chairman of the UPCB and the sldb.

Chairman : C. D. Datey

Members : Santan Barathwal  
Harpal Shastri  
J. N. Pradhan  
L. K. Nagar  
V. K. Saxena  
Nripendra Mishra  
R. Srinivasan  
P. N. Khanna

Member-Secretary : R. R. Pradhan

Lucknow

26 March 1977

## ANNEXURES

## ANNEXURE 1

*Revenue Divisions and districts in Uttar Pradesh*

<b>I AGRA DIVISION</b>	30 Deoria
1 Agra	31 Gorakhpur
2 Aligarh	<b>VII KUMAUN DIVISION</b>
3 Etah	32 Almora
4 Mainpuri	33 Nainital
5 Mathura	34 Pithoragarh
<b>II ALLAHABAD DIVISION</b>	<b>VIII LUCKNOW DIVISION</b>
6 Allahabad	35 Hardoi
7 Etawah	36 Kheri
8 Farrukhabad	37 Lucknow
9 Fatehpur	38 Rae Bareli
10 Kanpur—Rural	39 Sitapur
11 Kanpur—Urban	40 Unnao
<b>III BUNDELKHAND DIVISION</b>	<b>IX MEERUT DIVISION</b>
12 Banda	41 Bulandshahr
13 Hamirpur	42 Ghaziabad
14 Jalaun	43 Meerut
15 Jhansi	44 Muzaffarnagar
16 Lalitpur	45 Saharanpur
<b>IV FAIZABAD DIVISION</b>	<b>X MORADABAD DIVISION</b>
17 Bahraich	46 Bijnor
18 Barabanki	47 Moradabad
19 Faizabad	48 Rampur
20 Gonda	<b>XI ROHILKHAND DIVISION</b>
21 Pratapgarh	49 Bareilly
22 Sultanpur	50 Budaun
<b>V GARHWAL DIVISION</b>	51 Pilibhit
23 Chamoli	52 Shahjahanpur
24 Dehra Dun	<b>XII VARANASI DIVISION</b>
25 Pauri Garhwal	53 Ballia
26 Tehri Garhwal	54 Ghazipur
27 Uttar Kashi	55 Jaunpur
<b>VI GORAKHPUR DIVISION</b>	56 Mirzapur
28 Azamgarh	57 Varanasi
29 Basti	

## ANNEXURE 2

*District-wise distribution of urban, rural and scheduled castes/tribes population and workers as per 1971 census*

Thousands										
District	Density of popu- lation per sq. km	Population				Workers				
		Total	Urban	Rural	Scheduled castes/tribes	Total	Cultivators	Agricul- tural labourers	Live- stock, planta- tions, orchards & other allied activities	
	(1)	(2)	(3a)	(3b)	(3c)	(3d)	(4a)	(4b)	(4c)	(4d)
BR	1 Banda	155	1182	85	824	273	404	227	126	2
	2 Hamirpur	137	988	80	655	253	323	167	107	5
	3 Jalaun	179	813	89	500	224	233	141	48	1
	4 Jhansi	130	1307	257	714	336	392	216	64	3
CR	5 Barabanki	370	1636	87	1092	457	563	404	87	1
	6 Fatehpur	307	1278	62	914	302	429	254	116	2
	7 Hardoi	308	1850	132	1131	587	576	444	65	2
	8 Kanpur	490	2996	1100	1304	592	880	333	115	5
	9 Kheri	193	1487	85	981	421	494	377	61	2
	10 Lucknow	640	1618	745	482	391	481	186	37	3
	11 Rae Bareli	328	1511	44	1007	460	485	318	109	2

*ANNEXURE 2 (Contd.)*

	(1)	(2)	(3a)	(3b)	(3c)	(3d)	(4a)	(4b)	(4c)	(4d)
	12 Sitapur	328	1884	132	1145	607	601	466	58	2
	13 Unnao	324	1484	35	1004	445	450	325	64	2
<b>ER</b>	14 Allahabad	405	2937	463	1748	726	949	423	269	3
	15 Azamgarh	497	2857	137	2023	697	819	446	229	4
	16 Bahraich	251	1727	98	1324	305	606	466	85	3
	17 Ballia	499	1589	67	1300	222	443	193	172	3
	18 Basti	408	2984	63	2313	608	1050	680	273	2
	19 Deoria	521	2812	76	2297	438	849	490	268	2
	20 Faizabad	435	1927	167	1294	466	614	347	163	3
	21 Ghazipur	453	1532	61	1174	297	453	234	138	3
	22 Gonda	314	2302	121	1792	389	806	571	152	3
	23 Gorakhpur	481	3038	220	2168	650	984	459	372	4
	24 Jaunpur	496	2006	113	1472	421	538	322	128	2
	25 Mirzapur	136	1541	160	862	519	539	210	220	3
	26 Pratapgarh	381	1423	26	1095	302	432	265	112	—
	27 Sultanpur	371	1643	29	1221	393	514	290	163	1
	28 Varanasi	560	2853	658	1700	498	827	275	208	6
<b>WR</b>	29 Agra	479	2309	678	1149	482	627	262	65	3
	30 Aligarh	420	2112	320	1341	451	577	283	109	4
	31 Bareilly	431	1780	373	1201	206	541	340	57	2
	32 Bijnor	307	1490	251	934	305	419	191	97	6
	33 Budaun	319	1646	142	1239	265	519	414	43	2



## ANNEXURE 2 (Contd.)

	(1)	(2)	(3a)	(3b)	(3c)	(3d)	(4a)	(4b)	(4c)	(4d)
34	Bulandshahr	424	2073	241	1405	427	552	302	93	5
35	Etah	353	1571	134	1175	262	449	314	56	1
36	Etawah	335	1448	123	970	355	395	269	52	2
37	Farrukhabad	358	1557	153	1142	262	458	315	53	2
38	Mainpuri	340	1446	106	1084	256	401	283	46	2
39	Mathura	340	1290	191	850	249	355	190	54	3
40	Meerut	566	3367	714	2052	601	931	351	141	17
41	Moradabad	409	2429	535	1508	386	710	445	72	3
42	Muzaffar-nagar	425	1802	226	1276	300	518	224	145	3
43	Pilibhit	215	752	96	544	112	238	162	32	2
44	Rampur	380	901	171	625	105	275	186	26	2
45	Saharanpur	372	2055	443	1131	481	612	221	165	6
46	Shahjahan-pur	281	1286	183	892	211	421	291	58	2
HR 47	Almora	107	750	32	572	146	291	240	5	3
48	Chamoli	32	293	9	227	57	170	147	1	—
49	Dehra Dun	187	577	245	203	129	201	57	16	5
50	Garhwal	102	553	32	462	59	251	196	3	4
51	Nainital	116	790	156	440	194	265	121	49	12
52	Pithoragarh	43	314	10	222	82	126	100	1	1
53	Tehri Garhwal	190	397	10	334	53	205	186	1	1
54	Uttar Kashi	18	148	6	108	34	94	81	1	1

## ANNEXURE 3

*District-wise position of the size of land holdings*

		Number Thousands Area Lakh Hectares					
District	Holdings upto 2 hectares	Number	Area	Total holdings		Percentage of	
				Number	Area	Col. (2a) to Col. (3a)	Col. (2b) to Col. (3b)
(1)	(2a)	(2b)		(3a)	(3b)	(4a)	(4b)
<b>BR</b>							
1 Banda	152	1.17	230	5.61	66.1	20.9	
2 Hamirpur	108	0.92	189	5.60	57.1	16.4	
3 Jalaun	79	0.65	136	3.67	58.1	17.7	
4 Jhansi	137	1.13	233	6.04	58.8	18.7	
Sub-total	476	3.87	788	20.92	60.4	18.5	
<b>CR</b>							
5 Barabanki	322	1.84	359	3.19	89.7	57.7	
6 Fatehpur	177	1.14	224	3.17	79.0	36.0	
7 Hardoi	353	2.20	414	4.48	85.3	49.1	
8 Kanpur	324	1.99	387	4.41	83.7	45.1	
9 Kheri	285	1.96	350	4.65	81.4	42.2	
10 Lucknow	143	0.92	164	1.66	87.2	55.4	
11 Rae Bareli	300	1.75	335	3.00	89.6	58.3	
12 Sitapur	334	2.23	398	4.62	83.9	48.3	
13 Unnao	274	1.71	314	3.18	87.3	53.8	
Sub-total	2512	15.74	2945	32.36	85.3	48.6	
<b>ER</b>							
14 Allahabad	410	2.24	477	5.44	86.0	41.2	
15 Azamgarh	624	2.52	675	4.44	92.4	56.8	
16 Bahraich	377	2.26	439	4.72	85.9	47.9	
17 Ballia	228	1.12	258	2.45	88.4	45.7	
18 Basti	588	2.90	659	5.69	89.2	51.0	
19 Deoria	457	2.31	509	4.34	89.8	53.2	
20 Faizabad	389	1.84	423	3.06	92.0	60.1	
21 Ghazipur	229	1.18	264	2.60	86.7	45.4	
22 Gonda	454	2.49	528	5.42	86.0	45.9	
23 Gorakhpur	499	2.56	552	4.72	90.4	54.2	
24 Jaunpur	496	1.94	528	3.10	93.9	62.6	
25 Mirzapur	193	1.15	253	4.67	76.3	24.6	

**ANNEXURE 3 (Contd.)**

	(1)	(2a)	(2b)	(3a)	(3b)	(4a)	(4b)
26	Pratapgarh	298	1.55	329	2.68	90.6	57.8
27	Sultanpur	375	1.77	412	3.17	91.0	55.8
28	Varanasi	398	1.72	437	3.22	91.1	53.4
	Sub-total	6015	29.55	6743	59.72	89.2	49.5
<hr/>							
WR 29	Agra	144	1.11	204	3.60	70.6	30.8
30	Aligarh	154	1.14	223	4.04	69.1	28.2
31	Bareilly	237	1.53	287	3.37	82.6	45.4
32	Bijnor	122	0.86	176	3.28	69.3	26.2
33	Budaun	318	1.97	378	4.17	84.1	47.2
34	Bulandshahr	172	1.26	235	3.87	73.2	32.6
35	Etah	242	1.46	287	3.20	84.3	45.6
36	Etawah	228	1.48	271	3.12	84.1	47.4
37	Farrukhabad	301	1.61	340	3.09	88.5	52.1
38	Mainpuri	266	1.51	307	3.00	86.6	50.3
39	Mathura	87	0.71	143	3.22	60.8	22.0
40	Meerut	244	1.59	321	4.71	76.0	33.8
41	Moradabad	282	1.89	360	4.88	78.3	38.7
42	Muzaffar nagar	139	0.92	193	3.39	72.0	27.1
43	Pilibhit	132	0.88	161	2.08	82.0	42.3
44	Rampur	124	0.85	151	1.90	82.1	44.7
45	Saharanpur	137	0.96	199	3.80	68.8	25.3
46	Shahjahanpur	280	1.66	328	3.49	85.4	47.6
	Sub-total	3609	23.19	4564	62.21	79.1	37.3
<hr/>							
HR 47	Almora	111	0.66	117	0.84	94.9	78.6
48	Chamoli	61	0.35	62	0.40	98.4	87.5
49	Dehra Dun	43	0.24	52	0.61	82.7	39.3
50	Garhwal	92	0.65	102	0.92	90.2	70.7
51	Nainital	54	0.44	86	2.06	62.8	21.4
52	Pithoragarh	73	0.45	77	0.59	94.8	76.3
53	Tehri Garhwal	68	0.50	74	0.66	91.9	75.8
54	Uttar Kashi	23	0.19	27	0.30	85.2	63.3
	Sub-total	525	3.48	597	6.38	87.9	54.5
<hr/>							
	Total	13137	75.83	15637	181.59	84.0	41.8

**ANNEXURE 4**  
*District-wise cropping pattern in the plains portion of Uttar Pradesh*

Percentage of area under the crop to total cropped area in the respective districts	Districts					
	BR	CR	ER	WR	HR	
(1)	(2)	(3)	(4)	(5)	(6)	
(i) Paddy						
20 and above	—	Barabanki Kheri Lucknow Rae Bareli	(29) Allahabad (21) Azamgarh Bahraich (20) Ballia (28) Basti Deoria Faizabad Ghazipur Gonda Gorakhpur Jaunpur Mirzapur Pratapgarh Sultanpur Varanasi	(20) Bareilly (36) Bijnor (27) Pilibhit (25) Rampur (41) Shahjahanpur (32) (34) (27) (34) (39) (23) (27) (27) (34) (31)	(23) Nainital (23) (33) (20) (20)	(26)
10-20	Banda	(14) Fatehpur Hardoi Kanpur Sitapur Unnao	(19) — (11) (12) (17) (17)	Etawah Mainpuri Moradabad Saharanpur	(14) Dehra Dun (12) (14) (16)	(16)

*ANNEXURE 4 (Contd.)*

(1)	(2)	(3)	(4)	(5)	(6)
(iv) Barley					
5 and above	—	Fatehpur (13)	Allahabad (12)	Aligarh (7)	—
		Hardoi (7)	Azamgarh (18)	Bulandshahr (5)	
		Kanpur (8)	Ballia (13)	Mathura (8)	
		Lucknow (5)	Basti (6)		
		Rae Bareilly (13)	Deoria (7)		
		Sitapur (5)	Faizabad (5)		
		Unnao (13)	Ghazipur (15)		
			Gorakhpur (7)		
			Jaunpur (21)		
			Mirzapur (9)		
			Pratapgarh (16)		
			Sultanpur (9)		
			Varanasi (11)		
(v) Sugarcane					
10 and above	—	Kheri (16)	Deoria (12)	Bijnor (19)	Nainital (14)
				Meerut (20)	
				Moradabad (10)	
				Muzaffarnagar (26)	
				Pilibhit (12)	
				Saharanpur (16)	
5-10	—	Barabanki (5)	Azamgarh (7)	Bareilly (9)	Dehra Dun (7)
		Sitapur (8)	Ballia (6)	Bulandshahr (8)	
			Faizabad (6)	Rampur (8)	
			Jaunpur (5)	Shahjahanpur (8)	
(vi) Potato					
3 and above	—	—	—	Farrukhabad (6)	—
1-3	—	Barabanki (1)	Allahabad (1.2)	Etawah (1.1)	
		Kanpur (1)	Faizabad (1.2)	Mainpuri (1.5)	
		Lucknow (1.7)	Jaunpur (1.7)	Meerut (1)	
			Pratapgarh (1)	Moradabad (2.1)	
			Varanasi (1)		

*ANNEXURE 4 (Contd.)*

(1)	(2)	(3)	(4)	(5)	(6)	
(ii) Maize						
10 and above	—	—	Bahraich Gonda Jaunpur	(24) Aligarh (14) Bulandshahr (16) Etah Farrukhabad Mainpuri Meerut Rampur	(13) Dehra Dun (20) Nainital (13) (20) (13) (11) (11)	(15) (19)
(iii) Wheat						
25 and above	Jhansi (including Lalitpur) Hamirpur Jalaun	Hardoi Lucknow (30) Sitapur (27) Unnao (31)	(26) Basti (27) Gorakhpur (28) (25)	(25) Agra (28) Aligarh Bareilly Bijnor Budaun Bulandshahr Etah Etawah Farrukhabad Mainpuri Mathura Meerut Moradabad Muzaffarnagar Pilibhit Rampur Saharanpur Shahjahanpur	(29) Dehra Dun (35) Nainital (28) (28) (32) (35) (31) (26) (30) (33) (37) (32) (35) (32) (30) (31) (31) (30)	(29) (27)
20-25	Banda	(21) Barabanki Kanpur Kheri	(23) Bahraich (22) Deoria Faizabad (24) Gonda	(24) — (24) (22) (21)	—	

# ANNEXURE 5

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*District-wise position of credit requirements, credit gaps etc.*

Rs Lakhs									
District	Gross cropped area (000 hectares)			Credit require- ments	Credit requirements met			Credit gap col. (3) —col. (4c)	Percentage of col. (5) to col. (3)
	Irrigated	Unirrigated	Total		Overdues at primary level as on 30-6-75	S.T. agri- cultural loans issued during 1975-6	Total		
	(1)	(2a)	(2b)	(2c)	(3)	(4a)	(4b)	(4c)	(5)
<b>BR</b>									
1 Banda	103.3	482.1	585.4	740.35	47.25	138.00	185.25	555.10	75
2 Hamirpur	74.2	454.7	528.9	640.20	61.95	43.94	105.89	534.31	84
3 Jalaun	134.9	256.7	391.6	593.95	61.67	155.49	217.16	376.79	63
4 Jhansi	103.2	429.7	532.9	687.70	56.55	113.62	170.17	517.53	75
Sub-total	415.6	1623.2	2038.8	2662.20	227.42	451.05	678.47	1983.73	75
<b>CR</b>									
5 Bara- banki	133.5	283.7	417.2	688.38	84.04	95.75	179.79	508.59	74
6 Fatehpur	107.8	244.2	352.0	574.75	108.74	104.13	212.87	361.88	63
7 Hardoi	140.3	376.8	517.1	821.75	87.66	57.84	145.50	676.25	82
8 Kanpur	187.0	337.3	524.3	889.13	85.59	97.63	183.22	705.91	79
9 Kheri	74.0	480.3	554.3	877.88	130.56	295.00	425.56	452.32	52
10 Lucknow	72.8	119.7	192.5	331.62	42.45	67.11	109.56	222.06	67

*ANNEXURE 5 (Contd.)*

	(1)	(2a)	(2b)	(2c)	(3)	(4a)	(4b)	(4c)	(5)	(6)
11	Rae Bareli	163.6	220.4	384.0	684.50	83.60	116.30	199.90	484.60	71
12	Sitapur	107.4	417.4	524.8	924.50	77.36	202.26	279.62	644.88	70
13	Unnao	148.2	235.0	383.2	664.25	69.00	80.31	149.31	514.94	77
	Sub-total	1134.6	2714.8	3849.4	6456.76	769.00	1116.33	1885.33	4571.43	71
ER	14 Allahabad	150.0	464.1	614.1	955.08	73.34	405.76	479.10	475.98	50
	15 Azamgarh	243.7	300.8	544.5	985.22	126.90	186.55	313.45	671.77	68
	16 Bahraich	54.2	559.4	613.6	834.74	77.75	98.78	176.53	658.21	79
	17 Ballia	109.1	197.2	306.3	519.23	83.36	111.00	194.36	324.87	63
	18 Basti	298.2	518.8	817.0	1393.99	200.21	336.66	536.87	857.12	62
	19 Deoria	203.3	389.7	593.0	1249.47	407.74	714.65	1122.39	127.08	10
	20 Faizabad	149.7	219.1	368.8	648.10	58.11	105.35	163.46	484.64	74
	21 Ghazipur	118.2	201.7	319.9	547.63	114.26	100.15	214.41	333.22	63
	22 Gonda	145.6	572.3	717.9	1079.34	184.77	80.31	265.08	814.26	75
	23 Gorakhpur	237.5	415.0	652.5	1112.49	261.62	181.58	443.20	669.29	60
24 Jaunpur	175.8	212.9	388.7	705.59	114.92	170.83	285.75	419.84	60	
25 Mirzapur	99.7	355.6	455.3	604.85	141.27	101.99	243.26	361.59	60	
26 Pratapgarh	103.9	198.3	302.2	507.62	81.31	136.36	217.67	289.95	57	



## ANNEXURE 5 (Contd.)

	(1)	(2a)	(2b)	(2c)	(3)	(4a)	(4b)	(4c)	(5)	(6)
	27 Sultanpur	149.2	250.9	400.1	686.62	88.09	90.75	178.84	507.78	74
	28 Varanasi	182.4	270.3	452.7	793.81	244.97	105.99	350.96	442.85	56
	Sub-total	2420.5	5126.1	7546.6	12623.78	2258.62	2926.71	5185.33	7438.45	59
WR	29 Agra	188.3	266.9	455.2	804.38	145.07	144.70	289.77	514.61	64
	30 Aligarh	390.4	224.2	614.6	1256.25	120.43	177.70	298.13	958.12	76
	31 Bareilly	160.0	263.0	423.0	928.75	167.51	203.98	371.49	557.26	60
	32 Bijnor	144.8	254.2	399.0	860.75	93.21	294.80	388.01	472.74	55
	33 Budaun	185.1	321.0	506.1	864.00	185.40	203.64	389.04	474.96	55
	34 Buland-shahr	390.1	195.7	585.8	1219.87	207.75	449.65	657.40	562.47	46
	35 Etah	230.8	220.4	451.2	852.68	97.58	61.80	159.38	693.30	81
	36 Etawah	192.5	192.6	385.1	722.00	121.00	184.51	305.51	416.49	58
	37 Farrukhabad	173.0	213.1	386.1	698.88	123.69	190.56	314.25	384.63	55
	38 Mainpuri	235.2	159.7	394.9	787.63	62.30	153.82	216.12	571.51	73
	39 Mathura	237.4	171.9	409.3	808.38	239.62	110.81	350.43	457.95	56
	40 Meerut	517.8	133.0	650.8	2108.00	370.63	340.79	711.42	1396.58	66
	41 Moradabad	296.3	333.9	630.2	1528.51	241.31	829.93	1071.24	457.27	29
	42 Muzaffarnagar	356.1	823.1	479.2	1489.23	185.28	515.43	700.71	788.52	53
	43 Pilibhit	99.9	178.6	278.5	597.86	76.70	140.89	217.59	380.27	64
	44 Rampur	92.7	174.1	266.8	565.26	18.42	207.53	225.95	339.31	60

## ANNEXURE 5 (Contd.)

	(1)	(2a)	(2b)	(2c)	(3)	(4a)	(4b)	(4c)	(5)	(6)
45	Saharanpur	279.3	272.4	551.7	1387.88	252.26	608.20	860.46	527.42	38
46	Shah-jahanpur	167.1	204.7	371.8	882.50	74.91	134.37	209.28	673.22	76
	Sub-total	4336.9	3902.3	8239.2	18362.81	2783.07	4953.11	7736.18	10626.63	58
HR	47	Almora	10.9	186.6	197.5	167.20	51.63	17.10	68.73	59
	48	Chamoli	3.5	86.9	90.4	73.92	11.64	34.34	45.98	38
	49	Dehra Dun	26.5	52.7	79.2	132.13	25.26	96.24	121.50	8
	50	Garhwal	6.8	184.6	191.4	155.45	14.79	37.35	52.14	66
	51	Nainital	119.8	202.3	322.1	552.37	44.47	246.66	291.13	47
	52	Pithoragarh	11.3	136.4	147.7	130.55	12.74	32.23	44.97	66
	53	Tehri Garhwal	18.4	140.1	158.5	151.07	23.03	74.35	97.38	36
	54	Uttar Kashi	8.1	57.7	65.8	63.52	8.77	30.99	39.76	37
		Sub-total	205.3	1047.3	1252.6	1426.21	192.33	569.26	761.59	664.62
	Total	8512.8	14413.9	22926.7	41531.76	6230.44	10016.46	16246.90	25284.86	61

Note: Wherever the overdues as on 30-6-75 or loans issued during 1975-76 at the primary level were not available, the same have been projected on the basis of the position at the central bank level.

**ANNEXURE 6**  
*Financial position of Uttar Pradesh Co-operative Bank for the  
period 1971-2 to 1976-7*

						Rs Lakhs
Item	1971-2	1972-3	1973-4	1974-5	1975-6	1976-7 (as on 31-12-76)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1 (a) Paid-up share capital	457.27	572.35	584.82	605.44	668.42	699.87
(b) Of (a) from State Government	62.20	162.20	162.20	172.20	202.20	202.20
2 (a) Total Reserves	542.36	584.18	614.91	700.01	832.58	835.34
(b) Statutory reserve	139.91	149.90	163.92	182.47	212.96	215.36
(c) Agricultural Credit Stabilization Fund	300.45	331.86	347.33	407.00	474.59	474.59
(d) Bad debt reserve	76.40	72.71	73.96	82.82	110.57	110.57
3 Total owned funds	999.63	1156.53	1199.73	1305.45	1501.00	1535.21
4 (a) Total deposits	3118.71	4168.79	4904.79	5517.26	7529.83	8216.50
(b) Current	564.74	877.40	982.34	745.67	874.14	1103.24
(c) Savings	272.59	440.84	425.03	433.62	892.13	843.81
(d) Fixed	2260.19	2825.69	3466.43	4300.33	5717.42	6219.93
(e) Others	21.19	24.86	30.99	37.64	46.14	49.61
(f) Proportion of (d) to (a)	72.4	67.8	70.7	78.0	75.9	75.7
5 Of total deposits, those from co-ope- rative institutions	2092.71	2844.52	3453.69	4164.29	5757.36	5851.60
6 Proportion of 5 to 4 (a)	67.1	68.2	70.4	75.5	76.5	71.2
7 (a) Outstanding borrowings	2930.25	3215.60	2751.14	3343.14	830.05	3523.86
(b) Of (a) above from the RBI	2041.94	2392.89	1917.80	2517.18	—	2683.52

*ANNEXURE 6 (Contd.)*

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
8 Loans issued during the year							
(i) Total		8143.36	11680.06	13180.68	18689.63	25166.55	N.A.
(ii) Short-term for agricultural purposes		3220.24	4949.98	5544.96	8608.37	8386.43	N.A.
(iii) Medium-term for							
(a) Approved agricultural purposes		138.24	216.82	120.44	51.67	44.91	N.A.
(b) Conversions/rephasements		1233.86	203.44	54.04	74.96	59.78	N.A.
(iv) Others		3551.02	6309.82	7461.24	9954.63	16675.43	N.A.
(a) Total loans/advances outstanding		5406.30	6904.32	7324.38	8292.83	6648.35	10196.62
(b) Short-term agricultural		2725.74	3336.62	4067.98	5535.54	3880.29	7024.54
(c) Medium-term agricultural		363.87	666.67	607.19	502.83	389.37	532.41
(d) Medium-term conversion/rephasing		1102.91	877.44	517.82	162.07	82.21	59.03
9 Total overdues		367.11	203.45	232.90	373.34	191.65	N.A.
10 Percentage of overdues to demand (%)		0.3	3.9	4.3	2.1	0.7	N.A.
11 Net profit for the year		35.86	35.85	72.24	91.82	107.79	—
12 Dividend declared (%)		4	4	5	5	6	

**ANNEXURE 7**  
*Short-term agricultural credit limits sanctioned by the RBI to UPGB  
on behalf of ccbs and their utilization during the period 1971-2  
to 1975-6 and 1976-7 (upto 31.12.1976)*

On basis of cess and their utilization during the period 1971-2 to 1975-6 and 1976-7 (upto 31.12.1976)												Rs Lakhs
Name of the ccb	1971-2		1972-3		1973-4		1974-5		1975-6		1976-7	
	Limit	Per- cent- age of utiliza- tion	Limit	Percen- tage of utiliza- tion	Limit	Per- cent- age of utiliza- tion	Limit	Percen- tage of utiliza- tion	Limit	Percen- tage of utiliza- tion	Limit	Percen- tage of utiliza- tion (upto 31-12-76)
(1)	(2a)	(2b)	(3a)	(3b)	(4a)	(4b)	(5a)	(5b)	(6a)	(6b)	(7a)	(7b)
BR												
1 Banda	—	—	—	—	10.00	100	40.00	95	75.00	100	100.00	80
2 Hamirpur (Mahoba)	—	—	25.00	100	—	—	40.00	53	40.00	61	40.00	Nil
3 Jalaun (Orai)	35.00	93	50.00	96	35.00	96	45.00	100	60.00	100	100.00	44
4 Jhansi	50.00	Nil	30.00	80	30.00	100	30.00	100	30.00	100	30.00	100
Sub-total	85.00		105.00		75.00		155.00		205.00		270.00	
CR												
5 Barabanki	20.00	100	20.00	100	20.00	100	40.00	100	50.00	100	90.00	29
6 Biswan (Sitapur)	—	—	30.00	100	—	—	30.00	97	55.00	98	190.00	13
7 Fatehpur	35.00	100	75.00	100	35.00	100	75.00	99	75.00	98	100.00	Nil

*ANNEXURE 7 (Contd.)*

	(1)	(2a)	(2b)	(3a)	(3b)	(4a)	(4b)	(5a)	(5b)	(6a)	(6b)	(7a)	(7b)
8	Hardoi	—	—	50.00	72	50.00	100	50.00	98	70.00	89	105.00	31
9	Kanpur	—	—	—	—	—	—	—	—	50.00	100	100.00	40
10	Lakhimpur.												
	Kheri	25.00	88	55.00	68	50.00	60	50.00	24	80.00	42	270.00	Nil
11	Mohanlal-												
	ganj												
	(Lucknow)	15.00	100	15.00	100	20.00	100	25.00	79	50.00	773	60.00	Nil
12	Rae Bareli	25.00	56	25.00	100	—	—	75.00	73	85.00	85	75.00	Nil
13	Unnao	—	—	30.00	100	30.00	100	15.00	100	50.00	100	60.00	Nil
	Sub-total	120.00		300.00		205.00		360.00		565.00		1050.00	
<b>ER</b>													
14	Allahabad	100.00	82	160.00	87	140.00	100	200.00	97	170.00	100	220.00	Nil
15	Azamgarh	65.00	89	50.00	90	—	—	50.00	100	85.00	100	115.00	57
16	Babraich	25.00	90	40.00	98	25.00	100	25.00	100	75.00	96	75.00	35
17	Ballia	55.00	30	50.00	93	60.00	95	50.00	100	50.00	100	100.00	42
18	Basti	115.00	99	150.00	100	150.00	100	200.00	100	225.00	74	275.00	62
19	Deoria	180.00	93	250.00	74	250.00	100	300.00	100	350.00	97	625.00	42
20	Faizabad	25.00	79	45.00	76	—	—	40.00	100	60.00	100	110.00	57
21	Ghazipur	25.00	Nil	25.00	100	35.00	100	40.00	100	—	—	110.00	43
22	Balaram-												
	pur												
	(Gonda)	50.00	100	85.00	94	50.00	100	—	—	—	—	100.00	63
23	Gorakhpur	100.00	45	95.00	88	75.00	100	75.00	100	75.00	98	175.00	40
24	Jaunpur	70.00	100	100.00	50	65.00	100	100.00	99	120.00	98	170.00	25
25	Mirzapur	60.00	100	40.00	100	50.00	100	60.00	100	60.00	93	80.00	Nil

## ANNEXURE 7 (Contd.)

	(1)	(2a)	(2b)	(3a)	(3b)	(4a)	(4b)	(5a)	(5b)	(6a)	(6b)	(7a)	(7b)
26	Pratapgarh	25.00	76	30.00	100	60.00	83	75.00	89	75.00	87	100.00	25
27	Sultanpur	—	—	—	—	—	—	—	—	53.00	100	82.00	Nil
28	Varanasi	100.00	99	90.00	78	120.00	100	120.00	100	135.00	86	135.00	Nil
	Sub-total	995.00		1210.00		1080.00		1335.00		1533.00		2472.00	
<hr/>													
<b>WR</b>													
29	Agra	70.00	54	70.00	100	—	—	—	—	75.00	100	100.00	75
30	Aligarh	—	—	—	—	—	—	—	—	—	—	110.00	93
31	Bareilly	—	—	100.00	60	—	—	75.00	98	75.00	100	250.00	58
32	Bijnor	90.00	59	100.00	76	70.00	97	125.00	95	135.00	99	275.00	53
33	Budaun	50.00	100	65.00	100	75.00	100	35.00	99	50.00	100	210.00	46
34	Bulandshahr	—	—	200.00	100	200.00	100	260.00	100	280.00	71	320.00	91
35	Etah	—	—	—	—	25.00	100	25.00	99	—	—	50.00	75
36	Etawah	65.00	100	70.00	100	50.00	100	90.00	100	125.00	96	176.00	52
37	Farrukhabad	40.00	63	60.00	33	40.00	100	65.00	91	80.00	98	110.00	57
38	Mainpuri	60.00	88	70.00	80	—	—	50.00	98	90.00	82	100.00	Nil
39	Mathura	165.00	73	100.00	100	75.00	Nil	—	—	—	—	75.00	98
40	Meerut	250.00	100	320.00	80	150.00	100	150.00	100	200.00	100	510.00	16
41	Moradabad	105.00	100	150.00	97	150.00	100	275.00	99	350.00	100	430.00	41
42	Muzaffarnagar	150.00	76	150.00	74	75.00	95	135.00	97	250.00	80	430.00	32
43	Pilibhit	55.00	74	65.00	92	60.00	87	70.00	89	75.00	83	160.00	50

*ANNEXURE 7 (Contd.)*

	(1)	(2a)	(2b)	(3a)	(3b)	(4a)	(4b)	(5a)	(5b)	(6a)	(6b)	(7a)	(7b)
44	Rampur	—	—	30.00	100	50.00	84	65.00	69	60.00	96	125.00	Nil
45	Roorkee	50.00	95	50.00	80	35.00	97	35.00	100	40.00	85	75.00	Nil
46	Saharanpur	100.00	100	70.00	93	70.00	100	125.00	100	150.00	79	300.00	8
47	Shahjahanpur	40.00	75	40.00	98	65.00	82	—	—	75.00	70	145.00	Nil
	Sub-total	1290.00		1710.00		1190.00		1580.00		2110.00		3945.00	
<hr/>													
<b>HR</b>													
48	Almora	32.00	76	25.00	76	30.00	27	20.00	Nil	20.00	Nil	20.00	Nil
49	Chamoli	8.00	Nil	10.00	70	10.00	100	15.00	84	15.00	64	15.00	Nil
50	Dehra Dun	35.00	97	40.00	57	40.00	56	45.00	58	40.00	27	60.00	Nil
51	Garhwal (Kotdwara)	20.00	87	20.00	100	20.00	100	—	—	25.00	49	25.00	Nil
52	Nainital (Haldwani)	70.00	91	90.00	67	75.00	46	85.00	88	100.00	75	205.00	Nil
53	Pithoragarh	12.00	81	20.00	80	20.00	75	20.00	65	20.00	65	20.00	Nil
54	Tehri Garhwal	20.00	100	25.00	60	25.00	93	30.00	95	40.00	75	35.00	Nil
55	Uttar Kashi	—	—	20.00	55	15.00	71	15.00	97	30.00	40	25.00	Nil
	Sub-total	197.00		250.00		235.00		230.00		290.00		405.00	
<hr/>													
	<b>Total</b>	<b>2687.00</b>		<b>3575.00</b>		<b>2785.00</b>		<b>3660.00</b>		<b>4703.00</b>		<b>8142.00</b>	
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**ANNEXURE 8**  
*Deficits in noda by ccbs for the short-term agricultural borrowings  
 from RBI during the period 1971-2 to 1975-6*

		Rs Lakhs									
Name of the ccb		1971-2		1972-3		1973-4		1974-5		1975-6	
		Maxi- mum	Mini- mum	Maxi- mum	Mini- mum	Maxi- mum	Mini- mum	Maxi- mum	Mini- mum	Maxi- mum	Mini- mum
(1)		(2a)	(2b)	(3a)	(3b)	(4a)	(4b)	(5a)	(5b)	(6a)	(6b)
BR	1 Banda	—	—	—	—	—	—	—	—	—	—
	2 Hamirpur	—	—	—	—	—	—	9.21	8.56	0.95	—
	3 Jalaun	11.81	2.19	—	—	4.20	3.90	21.44	—	—	—
	4 Jhansi	—	—	3.01	1.37	12.61	8.40	10.71	5.86	—	—
CR	5 Barabanki	3.35	0.20	2.12	1.20	16.18	—	12.12	6.91	8.10	0.39
	6 Sitapur (Biswan)	—	—	13.44	—	—	—	—	—	—	—
	7 Fatehpur	0.97	—	32.89	24.48	—	—	28.53	8.46	10.11	—
	8 Hardoi	0.48	0.26	20.29	15.66	17.28	8.67	29.94	26.28	—	—
	9 Kanpur	—	—	—	—	—	—	—	—	—	—
	10 Lakhimpur- Kheri	—	—	—	—	—	—	—	—	—	—
	11 Mohanlalganj (Lucknow)	12.18	9.95	4.06	0.33	6.98	6.29	2.22	0.16	—	—
	12 Rae Bareli	4.34	—	8.73	3.04	—	—	16.67	—	9.80	—
	13 Unnao	—	—	2.77	—	—	—	—	—	—	—

*ANNEXURE 8 (Contd.)*

	(1)	(2a)	(2b)	(3a)	(3b)	(4a)	(4b)	(5a)	(5b)	(6a)	(6b)
<b>ER</b>	14 Allahabad	19.13	—	12.45	7.29	89.52	66.86	13.96	22.13	8.58	—
	15 Azamgarh	18.89	8.67	1.71	—	—	—	—	—	—	—
	16 Bahraich	9.09	2.70	9.72	1.05	—	—	7.33	—	—	—
	17 Ballia	5.52	0.94	9.92	3.36	24.60	6.13	20.75	1.07	1.85	—
	18 Basti	69.75	55.81	70.96	25.40	53.97	34.59	139.64	65.13	42.17	21.58
	19 Deoria	—	—	—	—	60.42	42.62	43.29	10.73	71.66	—
	20 Faizabad	3.72	—	7.18	0.28	11.81	—	—	—	24.43	6.84
	21 Ghazipur	—	—	—	—	—	—	7.62	—	20.63	16.69
	22 Balarampur (Gonda)	34.42	1.78	57.28	49.69	—	—	49.87	21.85	—	—
	23 Gorakhpur	8.28	1.03	21.43	—	22.47	0.02	40.26	3.35	44.15	31.22
	24 Jaunpur	28.16	23.12	—	—	—	—	43.52	14.97	5.21	4.10
	25 Mirzapur	42.64	13.43	1.17	—	6.10	—	16.84	2.24	9.35	0.74
	26 Pratapgarh	—	—	—	—	—	—	22.49	—	26.94	5.66
	27 Sultanpur	—	—	—	—	—	—	—	—	—	—
	28 Varanasi	23.76	13.55	—	—	50.26	24.94	34.94	27.85	22.97	0.26
<b>WR</b>	29 Agra	55.03	5.61	43.74	26.82	—	—	—	—	—	—
	30 Aligarh	—	—	—	—	—	—	—	—	—	—
	31 Bareilly	—	—	—	—	—	—	10.38	—	—	—
	32 Bijnor	—	—	—	—	—	—	—	—	—	—
	33 Budaun	37.68	29.71	7.90	—	14.53	—	4.28	3.32	—	—
	34 Bulandshahr	—	—	87.42	14.42	75.02	73.76	70.21	—	—	—
	35 Etah	—	—	—	—	—	—	—	—	5.86	—
	36 Etawah	49.28	16.61	26.76	24.00	11.89	2.96	40.74	—	0.27	—
	37 Farrukhabad (Fatehgarh)	—	—	—	—	—	—	—	—	—	—

## ANNEXURE 8 (Contd.)

	(1)	(2a)	(2b)	(3a)	(3b)	(4a)	(4b)	(5a)	(5b)	(6a)	(6b)
	38 Mainpuri	16.92	12.16	28.54	27.61	58.92	—	22.81	21.10	—	—
	39 Mathura	—	—	16.89	14.84	—	—	—	—	—	—
	40 Meerut	77.08	44.00	148.58	48.16	21.73	—	—	—	60.93	—
	41 Moradabad	11.07	4.47	—	—	—	—	59.71	—	71.63	—
	42 Muzaffarnagar	—	—	—	—	—	—	—	—	—	—
	43 Pilibhit	19.41	132	10.32	3.95	16.69	—	22.75	—	—	—
	44 Rampur	—	—	—	—	—	—	—	—	—	—
	45 Roorkee	16.41	11.14	—	—	—	—	—	—	—	—
	46 Saharanpur	25.20	10.12	—	—	—	—	14.15	—	—	—
	47 Shahjahanpur	12.32	9.87	9.25	9.22	23.84	5.68	—	—	—	—
HR	48 Almora	—	—	—	—	—	—	—	—	—	—
	49 Chamoli	—	—	—	—	—	—	—	—	—	—
	50 Dehra Dun	—	—	—	—	—	—	—	—	—	—
	51 Garhwal										
	(Kotdwara)	8.19	0.02	3.69	2.43	3.18	—	—	—	4.02	—
	52 Nainital	32.43	2.20	15.80	—	—	—	—	—	—	—
	53 Pithoragarh	—	—	—	—	—	—	—	—	—	—
	54 Tehri Garhwal	1.27	—	—	—	3.18	—	16.94	—	—	—
	55 Uttar Kashi	—	—	4.15	1.04	2.37	—	7.24	—	3.43	—

## ANNEXURE 9

*Defaults by ccbs in repayment of their dues to the Uttar Pradesh Co-operative Bank during the five-year period 1971-2 to 1975-6*

Rs Lakhs

Name of the ccb	Amount defaulted in				
	1971-2	1972-3	1973-4	1974-5	1975-6
(1)	(2)	(3)	(4)	(5)	(6)
<b>BR</b>					
Banda	20.72	6.38	6.01	3.83	—
	(8)	(4)	(5)	(2)	
Hamirpur	—	1.63	1.48	1.87	—
		(2)	(3)	(3)	
Jalaun	—	—	7.90	12.82	24.03
			(2)	(4)	(2)
Jhansi	33.67	10.78	23.93	18.31	16.04
	(9)	(5)	(7)	(5)	(2)
<b>CR</b>					
Barabanki	0.07	5.41	12.99	—	36.79
	(1)	(3)	(4)		(3)
Biswan	1.33	—	—	—	—
	(1)				
Fatehpur	20.72	6.38	6.01	3.83	—
	(8)	(4)	(5)	(2)	
Hardoi	15.10	0.76	1.26	45.25	37.25
	(6)	(1)	(2)	(18)	(14)
Kanpur	16.79	6.65	17.09	10.33	—
	(5)	(1)	(9)	(4)	
Lakhimpur-Kheri	—	—	—	—	—
Mohanlalganj	—	—	10.20	26.19	—
			(2)	(9)	
Rae Bareli	—	0.33	1.92	—	—
		(1)	(1)		
Unnao	1.80	0.17	1.93	1.58	0.13
	(1)	(1)	(2)	(2)	(1)
<b>ER</b>					
Allahabad	22.00	5.35	16.34	11.87	—
	(3)	(2)	(4)	(3)	
Azamgarh	11.60	34.39	14.39	—	2.50
	(2)	(6)	(1)		(1)
Bahraich	0.47	5.16	17.11	26.21	21.26
	(1)	(3)	(8)	(3)	(3)

## ANNEXURE 9 (Contd.)

(1)	(2)	(3)	(4)	(5)	(6)
Ballia	17.89 (8)	—	—	—	—
Basti	—	5.31 (3)	9.03 (3)	25.61 (5)	92.24 (10)
Deoria	0.56 (1)	2.72 (1)	—	—	—
Faizabad	—	—	1.76 (2)	0.74 (1)	8.70 (3)
Ghazipur	13.33 (5)	2.02 (2)	42.09 (9)	44.95 (7)	8.77 (1)
Balarampur	5.72 (8)	44.77 (16)	62.61 (23)	133.81 (31)	61.37 (18)
Gorakhpur	5.41 (4)	1.05 (1)	24.64 (3)	—	—
Jaunpur	—	—	—	—	—
Mirzapur	19.80 (3)	1.15 (1)	13.10 (3)	—	2.00 (1)
Pratapgarh	1.60 (1)	—	4.05 (2)	7.60 (1)	37.18 (4)
Sultanpur	22.00 (2)	4.60 (2)	11.86 (3)	3.85 (2)	—
Varanasi	42.38 (6)	3.20 (1)	22.96 (3)	10.75 (2)	4.07 (1)
<b>WR</b>					
Agra	24.98 (4)	—	—	15.98 (1)	26.00 (2)
Aligarh	15.00 (4)	25.73 (3)	19.06 (4)	32.87 (14)	75.65 (27)
Bareilly	52.41 (10)	36.99 (4)	4.11 (1)	85.46 (10)	16.65 (3)
Bijnor	—	—	—	—	—
Budaun	4.49 (2)	0.31 (1)	8.98 (5)	61.31 (12)	38.28 (9)
Bulandshahr	136.18 (13)	—	—	—	—
Etah	15.87 (4)	4.30 (4)	4.06 (2)	22.63 (4)	26.03 (6)
Etawah	—	—	—	—	—
Farrukhabad	—	—	—	—	—
Mainpuri	11.31 (2)	1.81 (1)	16.64 (6)	9.16 (4)	—
Mathura	152.67 (63)	46.64 (25)	95.41 (30)	172.39 (45)	65.66 (17)

## ANNEXURE 9 (Contd.)

(1)	(2)	(3)	(4)	(5)	(6)
Meerut	—	—	—	—	—
Moradabad	—	—	0.78 (1)	8.63 (2)	—
Muzaffarnagar	—	—	—	—	—
Pilibhit	—	—	—	—	—
Rampur	—	—	—	—	—
Roorkee	—	0.73 (1)	—	—	—
Sabaranpur	2.05 (1)	—	—	—	11.69 (1)
Shahjahanpur	—	11.88 (4)	11.43 (3)	31.19 (5)	8.64 (2)
<b>HR</b>					
Almora	1.54 (3)	—	—	—	—
Chamoli	2.00 (1)	—	0.78 (4)	—	—
Dehra Dun	—	—	—	—	—
Garhwal	0.28 (1)	1.78 (1)	4.00 (1)	12.38 (8)	3.79 (1)
Nainital	—	1.29 (1)	1.10 (1)	—	—
Pithoragarh	—	—	—	—	—
Tehri Garhwal	0.19 (2)	0.49 (1)	—	—	—
Uttar Kashi	0.74 (4)	0.48 (1)	0.39 (2)	—	—

NB: Figures in brackets indicate the number of defaults.

## ANNEXURE 10

*Short-term credit limits sanctioned by the UPGB to ccbs during  
1971-2 to 1976-7 and involvement in the short-term loans  
at the end of 30 June*

Name of the ccb	Rs Lakhs					
	Limits sanctioned					
	1971-2	1972-3	1973-4	1974-5	1975-6	1976-7
(1)	(2a)	(2b)	(2c)	(2d)	(2e)	(2f)
<b>BR</b>						
Banda	50.00	80.00	75.00	95.00	120.00	180.00
Hamirpur	50.00	70.00	50.00	50.00	50.00	75.00
Jalaun	50.00	60.00	50.00	60.00	100.00	120.00
Jhansi	75.00	100.00	75.00	70.00	105.00	150.00
<b>CR</b>						
Barabanki	40.00	65.00	45.00	120.00	110.00	150.00
Biswan	45.00	60.00	60.00	60.00	80.00	220.00
Fatehpur	70.00	100.00	100.00	100.00	100.00	125.00
Hardoi	45.00	70.00	95.00	95.00	120.00	150.00
Kanpur	50.00	40.00	60.00	50.00	105.00	125.00
Lakhimpur- Kheri	50.00	70.00	54.00	50.00	100.00	270.00
Mohanlalgaonj	30.00	35.00	40.00	58.00	63.00	90.00
Rae Bareli	50.00	75.00	51.00	75.00	85.00	85.00
Unnao	35.00	50.00	65.00	65.00	70.00	100.00
<b>ER</b>						
Allahabad	150.00	175.00	190.00	200.00	225.00	250.00
Azamgarh	110.00	110.00	100.00	170.00	180.00	215.00
Bahraich	40.00	60.00	50.00	55.00	95.00	100.00
Ballia	65.00	70.00	60.00	100.00	100.00	125.00
Basti	125.00	220.00	220.00	245.00	250.00	375.00
Deoria	290.00	375.00	425.00	445.00	505.00	880.00
Faizabad	40.00	80.00	50.00	100.00	100.00	130.00
Ghazipur	80.00	60.00	80.00	80.00	113.00	140.00
Balarampur	80.00	110.00	135.00	135.00	145.00	225.00
Gorakhpur	100.00	120.00	120.00	185.00	140.00	250.00
Jaunpur	90.00	100.00	125.00	125.00	155.00	200.00
Mirzapur	80.00	65.00	65.00	85.00	110.00	125.00
Pratapgarh	40.00	50.00	65.00	75.00	90.00	100.00

## ANNEXURE 10 (Contd.)

(1)	(2a)	(2b)	(2c)	(2d)	(2e)	(2f)
Sultanpur	60.00	60.00	45.00	65.00	80.00	107.00
Varanasi	120.00	104.00	170.00	185.00	185.00	210.00
<b>WR</b>						
Agra	105.00	140.00	130.00	155.00	165.00	175.00
Aligarh	100.00	120.00	120.00	150.00	231.00	260.00
Bareilly	200.00	150.00	155.00	180.00	199.00	275.00
Bijnor	125.00	100.00	85.00	145.00	165.00	350.00
Budaun	80.00	140.00	160.00	170.00	197.00	250.00
Bulandshahr	260.00	300.00	335.00	390.00	390.00	470.00
Etah	50.00	70.00	60.00	65.00	87.00	100.00
Etawah	90.00	100.00	90.00	125.00	145.00	170.00
Fatehgarh	80.00	100.00	60.00	65.00	90.00	110.00
Mainpuri	80.00	100.00	70.00	80.00	105.00	125.00
Mathura	190.00	210.00	230.00	210.00	210.00	250.00
Meerut	300.00	350.00	300.00	300.00	350.00	700.00
Moradabad	175.00	225.00	270.00	360.00	400.00	480.00
Muzaffarnagar	150.00	155.00	125.00	205.00	280.00	470.00
Pilibhit	75.00	100.00	75.00	80.00	100.00	180.00
Rampur	60.00	85.00	70.00	70.00	70.00	150.00
Roorkee	60.00	80.00	60.00	60.00	60.00	150.00
Saharanpur	160.00	200.00	160.00	195.00	195.00	400.00
Shahjahanpur	70.00	70.00	75.00	80.00	90.00	155.00
<b>HR</b>						
Almora	32.00	40.00	40.00	40.00	40.00	40.00
Chamoli	13.00	25.00	15.00	15.00	15.00	30.00
Dehra Dun	50.00	55.00	40.00	50.00	50.00	95.00
Garhwal	25.00	30.00	33.00	40.00	30.00	40.00
Nainital	100.00	115.00	90.00	110.00	125.00	235.00
Pithoragarh	15.00	23.00	20.00	25.00	20.00	20.00
Tehri Garhwal	25.00	40.00	30.00	33.00	45.00	50.00
Uttar Kashi	15.00	25.00	20.00	15.00	30.00	30.00
<b>Total</b>	<b>4795.00</b>	<b>5782.00</b>	<b>5641.00</b>	<b>6613.00</b>	<b>7565.00</b>	<b>11032.00</b>



## ANNEXURE 10 (Contd.)

Name of the ccb	Involvement				
	1971-2	1972-3	1973-4	1974-5	1975-6
(1)	(3a)	(3b)	(3c)	(3d)	(3e)
<b>BR</b>					
Banda	27.34	50.98	57.29	60.31	57.12
Hamirpur	26.36	8.58	40.80	2.95	7.71
Jalaun	0.77	10.14	24.34	17.31	33.82
Jhansi	37.11	34.77	31.20	39.47	60.84
<b>CR</b>					
Barabanki	6.29	15.69	21.09	34.92	50.31
Biswan	21.51	18.31	45.11	25.21	28.10
Fatehpur	32.88	26.15	28.54	24.19	2.41
Hardoi	11.60	18.68	37.28	37.58	84.03
Kanpur	19.45	23.81	36.57	44.11	—
Lakhimpur- Kheri	8.41	0.42	0.23	0.19	0.57
Mohanlalganj	2.97	10.69	12.22	32.87	36.50
Rae Bareli	10.53	10.62	35.49	11.53	2.08
Unnao	24.93	17.47	10.75	37.44	33.93
<b>ER</b>					
Allahabad	43.86	62.26	64.97	68.03	177.38
Azamgarh	25.44	29.81	81.01	87.06	74.65
Bahraich	12.49	11.01	15.12	24.56	14.28
Ballia	22.87	13.28	6.91	36.24	36.61
Basti	39.62	76.74	51.73	43.30	158.79
Deoria	26.83	128.67	231.86	168.94	393.62
Faizabad	0.23	1.16	27.54	27.47	58.34
Ghazipur	20.79	37.21	37.63	44.84	30.76
Balarampur	41.71	48.22	63.77	139.49	57.58
Gorakhpur	4.52	6.11	36.12	34.21	33.32
Jaunpur	27.62	41.51	64.68	53.18	93.29
Mirzapur	17.38	13.26	4.83	39.82	38.08
Pratapgarh	—	6.79	7.07	4.89	40.58

*ANNEXURE 10 (Contd.)*

(1)	(3a)	(3b)	(3c)	(3d)	(3e)
Sultanpur	35.01	18.32	35.77	49.74	37.12
Varanasi	41.30	25.38	55.20	82.26	91.72
<b>WR</b>					
Agra	5.97	27.11	79.60	88.20	4.77
Aligarh	55.17	64.56	71.17	117.63	113.40
Bareilly	97.80	32.94	131.50	98.68	145.02
Bijnor	0.40	0.60	0.98	25.40	2.78
Budaun	25.92	77.77	95.18	85.69	112.30
Bulandshahr	237.99	86.70	123.27	196.82	328.26
Etah	36.58	39.68	26.67	29.41	22.95
Etawah	10.83	37.31	42.60	29.87	50.13
Fatehgarh	0.33	0.28	—	17.22	1.82
Mainpuri	15.75	5.57	65.89	44.84	62.78
Mathura	157.71	80.05	193.79	154.06	75.01
Meerut	111.78	82.25	91.73	139.81	8.68
Moradabad	79.98	139.85	126.18	118.66	279.32
Muzaffarnagar	19.05	0.95	2.04	12.18	82.40
Pilibhit	10.97	2.71	7.45	35.23	73.50
Rampur	36.77	12.99	14.30	0.85	3.91
Roorkee	16.89	8.61	0.84	35.52	38.76
Saharanpur	93.20	79.85	102.11	45.98	168.07
Shahjahanpur	4.70	0.92	14.72	57.82	53.61
<b>HR</b>					
Almora	11.60	3.72	—	—	—
Chamoli	7.75	6.23	0.49	0.40	5.70
Dehra Dun	15.20	20.35	20.88	13.94	24.06
Garhwal	4.98	5.39	9.16	24.99	19.36
Haldwani	22.36	0.94	—	24.88	5.13
Pithoragarh	7.69	2.38	7.68	8.88	13.96
Tehri Garhwal	12.84	6.47	11.59	24.35	29.08
Uttar Kashi	7.83	9.14	3.77	14.15	10.44
<b>Total</b>	<b>1697.86</b>	<b>1601.36</b>	<b>2408.71</b>	<b>2717.57</b>	<b>3468.74</b>

**ANNEXURE 11**  
*Comparative financial position of the district co-operative banks in Uttar Pradesh  
for the years 1971-2 to 1975-6*

		Rs Lakhs				
Particulars		1971-2	1972-3	1973-4	1974-5	1975-6
(1)		(2)	(3)	(4)	(5)	(6)
1	No. of banks	56	56	56	56	55@
2	Paid-up share capital					
	(i) Total	1777.00	2337.62	2562.52	2752.60	2859.36
	(ii) Of (i) above from Government	327.55	500.10	547.81	578.40	618.54
3	Reserves	585.24	654.33	707.19	780.18	913.41
4	Owned funds	2362.24	2991.95	3269.71	3532.78	3772.77
5	Deposits					
	(i) Total	4886.80	6169.79	6982.41	7539.35	9167.42
	(ii) Of (i) above from co-operative institutions	1775.36	2090.41	2087.97	2139.84	
6	Outstanding borrowings	4149.77	5053.52	5420.70	5714.42	4365.84
7	Working capital	12073.75	15020.42	16637.45	18024.44	18368.13
8	Loans issued					
	(i) Total	7808.83	9449.19	9262.45	9024.16	12427.20
	(ii) Of (i) above for seasonal agricultural operations	5210.56	7044.04	7220.95	7339.56	9154.83

*ANNEXURE 11 (Contd.)*

	(1)	(2)	(3)	(4)	(5)	(6)
<b>9 Loans outstanding</b>						
(i) Total		8555.90	10583.69	11543.06	12475.06	11923.87
(ii) Of (i) above for seasonal agricultural operations		5306.90	6989.43	8049.21	9042.17	9221.62
(iii) Of (i) above medium-term agricultural		2225.70	2454.47	1988.34	1852.94	1032.98
<b>10 Overdues</b>						
(i) Total		4088.68	5024.39	6305.77	7370.71	5592.84
(ii) Of (i) above, under short-term loans		3280.69	3956.73	5031.14	6037.91	4456.50
(iii) Of (i) above for period over 3 years		775.98	987.85	1273.34	1508.58	1556.04
<b>11 Number of banks with percentage of over-dues to demand @:</b>						
(i) 60 and above		NA	NA	6	12	3
(ii) between 40 and 60		NA	NA	30	30	13
(iii) between 20 and 40		NA	NA	13	9	32
(iv) below 20		NA	NA	6	4	7
<b>12 Number of banks working at profit</b>		53	54	54	54	NA
<b>13 Number of banks paying dividend</b>		9	7	9	7	6
<b>14 Number of offices including head office</b>		582	606	631	655	685

@ Excludes Radhasoami Central Co-operative Bank converted into an urban bank in 1975-6.

**ANNEXURE 12**  
*Financial particulars of the central co-operative banks  
for the year 1975-6*

Rs Lakhs					
Name of the Bank	Number of offices excluding H.O.	Paid-up share capital	From State Government	Reserves	Owened funds
(1)	(2)	(3)	(4)	(5)	(6)
<b>BR</b>					
1 Banda	10	29.70	7.50	12.65	42.35
2 Hamirpur	8	31.25	7.00	13.38	44.63
3 Jalaun	11	32.30	6.06	9.01	41.31
4 Jhansi	9	41.85	8.50	20.26	62.11
Sub-total	38	135.10	29.06	55.30	190.40
<b>CR</b>					
5 Barabanki	9	31.33	2.50	7.53	38.86
6 Biswan (Sitapur)	12	40.66	5.00	14.28	54.94
7 Fatehpur	16	56.62	22.00	11.79	68.41
8 Hardoi	15	40.80	10.20	10.46	51.26
9 Kanpur	17	35.27	8.00	2.02	37.29
10 Lakhimpur-Kheri	15	54.04	11.00	31.92	85.96
11 Mohanlalganj (Lucknow)	6	27.88	11.00	5.23	33.11
12 Rae Bareli	11	51.23	11.00	33.54	84.77
13 Unnao	13	37.00	3.00	7.59	44.59
Sub-total	114	374.83	83.70	124.36	499.19
<b>ER</b>					
14 Allahabad	29	89.05	25.50	37.11	126.16
15 Azamgarh	15	70.21	9.00	12.59	82.80
16 Bahraich	10	36.79	8.00	11.52	48.31
17 Ballia	9	48.12	14.60	8.60	56.72
18 Basti	12	94.59	26.10	29.30	123.89
19 Deoria	23	134.41	28.00	33.09	167.50
20 Faizabad	8	32.43	3.00	9.21	41.64
21 Ghazipur	10	53.61	6.50	12.81	66.42
22 Balarampur (Gonda)	16	65.49	23.40	8.45	73.94
23 Gorakhpur	21	76.61	3.50	20.24	96.85
24 Jaunpur	15	63.60	12.43	22.41	86.01
25 Mirzapur	8	55.62	19.88	9.84	65.46
26 Pratapgarh	9	53.41	14.50	17.76	71.17
27 Sultanpur	19	42.07	10.00	5.60	47.67
28 Varanasi	7	84.01	27.30	20.04	104.05
Sub-total	211	1000.02	231.71	258.57	1258.59

## WR

29	Agra	12	56.01	6.00	10.23	66.24
30	Aligarh	10	58.19	6.00	17.41	75.60
31	Bareilly	12	54.82	26.41	29.39	84.21
32	Bijnor	10	53.23	4.50	35.50	88.73
33	Budaun	14	70.61	14.00	18.28	88.89
34	Bulandshahr	18	104.69	11.60	35.41	140.10
35	Etah (Fatehgarh)	10	36.44	5.50	10.53	46.97
36	Etawah	11	45.12	11.50	18.42	63.54
37	Farrukhabad	12	56.08	6.50	25.29	81.37
38	Mainpuri	9	42.62	8.50	9.57	52.19
39	Mathura	10	62.11	14.50	30.06	92.17
40	Meerut	20	117.06	5.50	34.58	151.64
41	Moradabad	15	105.67	27.31	39.06	144.73
42	Muzaffarnagar	20	96.23	14.50	34.21	130.44
43	Pilibhit	5	39.89	13.95	7.25	47.14
44	Rampur	6	39.76	11.50	29.67	69.43
45	Roorkee	3	28.39	4.42	13.86	42.25
46	Saharanpur	9	64.65	9.10	17.08	81.73
47	Shahjahanpur	6	38.26	6.50	10.73	48.99
	Sub-total	212	1169.83	207.79	426.53	1596.36

48	Almora	8	23.01	10.25	5.66	28.67
49	Chamoli	4	12.59	12.58	2.33	14.92
50	Dehra Dun	5	29.81	7.25	12.71	42.52
51	Garhwal	6	17.87	6.00	2.47	20.34
52	Nainital	12	43.53	11.50	12.40	55.93
53	Pithoragarh	4	14.98	5.20	3.68	18.66
54	Tehri Garhwal	13	23.88	7.50	6.60	30.48
55	Uttar Kashi	3	13.91	6.00	2.80	16.71
	Sub-total	55	179.58	66.28	48.65	228.23

<b>Grand Total</b>	<b>630</b>	<b>2859.36</b>	<b>618.54</b>	<b>913.41</b>	<b>3772.77</b>
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## ANNEXURE 12 (Contd.)

	Deposits	Borrow- ings	Working capital	Loans issued		
				Total	Short- term	Of (10b) for sao
	(7)	(8)	(9)	(10a)	(10b)	(10c)
<b>BR</b>						
1	167.33	62.98	286.47	163.35	143.40	141.98
2	129.62	19.60	207.19	48.02	41.85	38.75
3	139.59	33.88	235.47	173.53	147.72	115.57
4	78.50	60.84	212.12	117.10	108.21	108.21
	515.04	177.30	941.25	502.00	441.18	404.51
<b>CR</b>						
5	90.29	57.65	186.80	101.58	91.14	91.14
6	180.06	47.28	282.28	204.13	192.63	107.59
7	203.45	—	322.20	200.12	112.49	112.49
8	79.02	137.34	267.62	130.38	117.52	117.52
9	130.55	13.96	220.65	411.24	89.78	84.22
10	419.59	38.79	572.16	302.59	280.97	161.19
11	41.22	46.62	128.55	97.64	63.91	63.91
12	107.03	16.16	228.29	171.68	162.34	137.38
13	80.29	47.84	174.45	94.37	76.49	76.49
	1331.50	405.64	2383.00	1713.73	1187.27	951.93
<b>ER</b>						
14	294.48	149.24	582.47	532.20	386.44	386.44
15	116.90	88.48	317.29	195.03	177.70	153.94
16	104.95	22.59	186.83	102.30	94.08	85.03
17	91.52	56.69	204.64	114.47	105.71	104.09
18	174.98	238.82	565.29	357.82	320.63	299.99
19	390.85	456.72	1015.07	727.63	689.64	613.37
20	49.93	56.29	168.96	105.02	102.61	102.61
21	126.81	51.92	263.37	143.34	101.83	96.56
22	104.41	124.47	302.82	205.14	160.44	152.50
23	192.85	52.70	363.73	189.01	160.20	145.80
24	117.92	97.07	308.98	175.74	162.70	162.70
25	98.71	71.26	251.23	86.14	80.86	71.20
26	25.92	28.12	219.99	148.66	129.87	129.87
27	80.94	60.97	189.58	117.38	93.52	93.52
28	158.84	110.52	401.15	123.79	100.94	100.94
	2130.02	1665.86	5341.40	3313.67	2867.17	2698.56

*ANNEXURE 12 (Contd.)*

	(7)	(8)	(9)	(10a)	(10b)	(10c)
<b>WR</b>						
29	93.40	11.95	213.14	142.33	137.81	137.81
30	126.06	99.54	316.99	182.76	169.24	169.12
31	132.33	186.36	429.31	203.74	192.50	192.50
32	404.04	6.73	512.65	329.44	280.76	280.76
33	166.48	136.75	420.26	218.25	201.75	193.33
34	206.22	310.29	656.61	475.04	428.24	428.24
35	101.28	35.73	183.98	70.42	58.29	58.29
36	169.53	47.57	296.04	272.47	182.94	182.94
37	221.59	9.36	346.11	208.66	186.25	186.25
38	82.94	73.25	224.47	151.60	146.50	144.90
39	122.70	109.39	349.54	95.62	92.48	92.48
40	699.40	8.70	970.91	1197.45	324.56	263.57
41	354.92	347.51	893.38	811.66	790.41	790.25
42	601.85	155.96	946.64	671.99	572.99	572.99
43	109.88	85.73	254.84	132.21	132.21	120.35
44	180.47	18.93	281.54	243.79	197.65	197.65
45	105.38	40.39	192.44	123.72	108.45	108.45
46	240.92	197.13	554.99	254.28	254.28	254.28
47	125.50	68.78	270.20	128.64	127.97	127.97
	4244.89	1950.05	8314.04	5920.07	4585.38	4502.13
<b>HR</b>						
48	179.56	—	219.87	20.92	15.91	15.91
49	37.72	2.71	58.55	47.30	41.92	39.85
50	202.69	25.53	270.34	127.54	98.30	79.39
51	55.76	32.69	112.76	59.23	30.66	30.66
52	307.43	39.73	426.30	498.89	307.97	289.47
53	43.28	14.78	80.48	73.25	33.61	33.61
54	67.71	37.24	137.43	102.50	77.61	77.61
55	51.82	14.31	82.71	48.10	31.20	31.20
	945.97	166.99	1388.44	977.73	637.18	597.70
<b>Total</b>	<b>9167.42</b>	<b>4365.84</b>	<b>18368.13</b>	<b>12427.20</b>	<b>9718.18</b>	<b>9154.83</b>



## ANNEXURE 12 (Contd.)

	Loans outstanding			Overdues			Per-centage of overdues to demand	Dividend declared
	Total	Short-term agricultural	Medium-term agricultural	Total	Under short-term loans	Of (12a) over 3 years		
	(11a)	(11b)	(11c)	(12a)	(12b)	(12c)	(13)	(14)
<b>BR</b>								
1	160.26	122.75	16.70	36.13	22.32	17.48	20	—
2	79.62	61.26	9.36	60.73	46.99	34.78	20	—
3	114.59	93.39	8.27	35.66	25.53	18.72	19	—
4	121.75	84.72	8.35	75.76	47.64	40.85	40	—
	476.22	362.12	42.68	208.28	142.48	111.83		
<b>CR</b>								
5	118.05	82.56	34.87	75.11	55.98	25.94	36	—
6	193.57	150.74	29.47	77.36	60.36	25.79	32	—
7	185.71	138.00	31.81	103.20	88.23	14.76	38	—
8	186.42	110.35	—	95.39	52.14	28.42	37	—
9	127.39	93.56	9.51	76.92	62.56	29.94	39	—
10	256.37	215.21	9.12	127.24	112.89	7.16	35	—
11	94.67	66.05	24.01	50.48	38.42	13.71	35	—
12	142.82	112.11	21.31	92.37	90.46*	24.07	33	—
13	98.13	57.84	33.81	54.24	34.51	15.12	30	—
	1403.13	1026.42	193.91	752.31	595.55	184.91		
<b>ER</b>								
14	388.60	345.73	42.87	73.34	56.10	26.49	15	—
15	230.90	187.81	22.05	126.90	74.29	28.95	34	—
16	122.30	87.94	27.79	77.75	54.54	22.93	39	—
17	122.08	64.23	12.05	83.36	42.94	24.01	36	—
18	413.85	315.02	20.82	200.21	168.61	38.24	35	—
19	813.32	777.73	10.50	241.39	211.00	59.92	25	—
20	114.43	92.47	16.82	48.39	36.84	16.13	45	—
21	116.15	86.24	40.58	118.48	68.24	46.36	39	—
22	233.79	149.50	53.13	184.50	117.27	33.76	55	—
23	279.61	214.75	14.15	180.10	140.59	38.29	42	—
24	213.14	166.31	14.47	124.08	91.51	20.26	38	—
25	159.41	84.76	9.43	115.91	52.19	46.49	48	—
26	167.13	123.29	38.09@	81.31	64.45	23.26	35	3
27	113.27	90.93	9.00	70.17	62.10	15.01	38	—
28	283.32	231.81	23.50	215.69	169.90	28.60	53	—
	3821.30	3018.52	355.25	1914.58	1410.57	468.70		

@ Including conversion.

\* Including medium-term and medium-term conversion.

## ANNEXURE 12 (Contd.)

	(11a)	(11b)	(11c)	(12a)	(12b)	(12c)	(13)	(14)
<b>WR</b>								
29	131.58	113.13	10.87	125.36	113.13	38.48	40	—
30	202.54	174.26	12.18	120.43	101.22	51.88	41	—
31	344.59	304.67	15.86	202.80	172.35	68.34	49	—
32	352.92	278.81	72.72	70.79	68.87	5.26	17	4
33	279.65	231.40	29.63	160.30	139.63	37.25	40	—
34	484.36	443.80	13.43	155.27	151.82	50.00	21	—
35	119.05	80.30	31.71	93.88	70.27	31.29	48	—
36	184.96	132.10	15.66	81.71	63.53	45.99	28	—
37	204.53	185.57	3.14	91.89	84.47	33.16	31	—
38	136.91	121.96	9.53	61.85	48.89	19.43	30	—
39	213.60	176.78	21.71	182.07	152.34	60.69	49	—
40	566.11	486.45	13.21	370.63	338.20	141.81	45	—
41	638.39	613.47	9.01	241.31	235.16	49.27	24	—
42	614.71	499.16	24.63	206.06	154.54	30.75	35	—
43	160.80	147.82	1.17	64.92	53.67	9.59	33	—
44	134.86	106.63	14.09	39.44	18.80	3.57	8	4
45	161.60	159.06	2.56	47.56	39.77	29.56	28	—
46	370.33	318.83	19.52	129.25	109.69	21.84	30	—
47	176.78	157.06	19.72	98.47	77.87	32.82	39	—
	5478.27	4731.26	340.35	2543.99	2194.22	760.98		
<b>HR</b>								
48	77.98	65.24	—	27.51	23.18	9.17	32	—
49	41.58	33.44	8.14	6.05	5.40	0.99	15	—
50	73.58	15.90	49.70	21.03	11.55	3.98	14	—
51	76.26	38.89	24.67	25.01	14.48	7.59	34	—
52	271.70	192.03	—	23.03	20.03	1.17	10	5
53	54.31	37.10	8.30	13.19	11.00	0.25	26	1
54	102.68	85.00	—	21.15	19.11	5.75	21	—
55	46.86	32.13	9.98	9.71	8.93	0.72	22	1
	744.95	499.73	100.79	146.68	113.68	29.62		
<b>Total</b>	<b>11923.87</b>	<b>9638.05</b>	<b>1032.92</b>	<b>5592.84</b>	<b>4456.50</b>	<b>1556.04</b>		

## ANNEXURE 13

*Statement showing the credit potential in the areas of the central co-operative banks in UP and the number of offices which each of them should have*

Bank	Gross cropped area (000 hectares)			Credit poten- tial (Rs lakhs)	No. of offices which the ccb should have at the rate of one office per potential of Rs 50 lakhs
	Irriga- ted	Unirri- gated	Total		
(1)	(2a)	(2b)	(2c)	(3)	(4)
<b>BR</b>					
1 Banda	103.3	482.1	585.4	740.35	15
2 Hamirpur	74.2	454.7	528.9	640.20	13
3 Jalaun	134.9	256.7	391.6	593.95	12
4 Jhansi	103.2	429.7	532.9	687.70	14
Sub-total	415.6	1623.2	2038.8	2662.20	54
<b>CR</b>					
5 Barabanki	133.5	283.7	417.2	688.38	14
6 Biswan	107.4	417.4	524.8	924.50	18
7 Fatehpur	107.8	244.2	352.0	574.75	11
8 Hardoi	140.3	376.8	517.1	821.75	16
9 Kanpur	187.0	337.3	524.3	889.13	18
10 Lakhimpur- Kheri	74.0	480.3	554.3	877.88	18
11 Mohanlalganj	72.8	119.7	192.5	331.62	7
12 Rae Bareli	163.6	220.4	384.0	684.50	14
13 Unnao	148.2	235.0	383.2	664.25	13
Sub-total	1134.6	2714.8	3849.4	6456.76	129
<b>ER</b>					
14 Allahabad	150.0	464.1	614.1	955.08	19
15 Azamgarh	243.7	300.8	544.5	985.22	20
16 Bahraich	54.2	559.4	613.6	834.74	17
17 Ballia	109.1	197.2	306.3	519.23	10
18 Balarampur	145.6	572.3	717.9	1079.34	22
19 Basti	298.2	518.8	817.0	1393.99	28
20 Deoria Kasia	203.3	389.7	593.0	1249.47	25
21 Faizabad	149.7	219.1	368.8	648.10	13

## ANNEXURE 13 (Contd.)

	(1)	(2a)	(2b)	(2c)	(3)	(4)
22	Ghazipur	118.2	201.7	319.9	547.63	11
23	Gorakhpur	237.5	415.0	652.5	1112.49	22
24	Jaunpur	175.8	212.9	388.7	705.59	14
25	Mirzapur	99.7	355.6	455.3	604.85	12
26	Pratapgarh	103.9	198.3	302.2	507.62	10
27	Sultanpur	149.2	250.9	400.1	686.62	14
28	Varanasi	182.4	270.3	452.7	793.81	16
	Sub-total	2420.5	5126.1	7546.6	12623.78	253
<b>WR</b>						
29	Agra	188.3	266.9	455.2	804.38	16
30	Aligarh	390.4	224.2	614.6	1256.25	25
31	Bareilly	160.0	263.0	423.0	928.75	18
32	Bijnor	144.8	254.2	399.0	860.75	17
33	Budaun	185.1	321.0	506.1	864.00	17
34	Bulandshahr	390.1	195.7	585.8	1219.87	24
35	Etah	230.8	220.4	451.2	852.68	17
36	Etawah	192.5	192.6	385.1	722.00	14
37	Farrukhabad	173.0	213.1	386.1	698.88	14
38	Mainpuri	235.2	159.7	394.9	787.63	16
39	Mathura	237.4	171.9	409.3	808.38	16
40	Meerut	517.8	133.0	650.8	2108.00	42
41	Moradabad	296.3	333.9	630.2	1528.51	30
42	Muzaffar-					
	nagar	356.1	123.1	479.2	1489.23	30
43	Pilibhit	99.9	178.6	278.5	597.86	12
44	Rampur	92.7	174.1	266.8	565.26	11
45	Roorkee	60.5	103.5	164.0	356.25	7
46	Saharanpur	218.8	168.9	387.7	1031.63	21
47	Shahjahanpur	167.1	204.7	371.8	882.50	18
	Sub-total	4336.9	3902.3	8239.2	18362.81	365
<b>HR</b>						
48	Almora	10.9	186.6	197.5	167.20	3
49	Chamoli	3.5	86.9	90.4	73.92	1
50	Dehra Dun	26.5	52.7	79.2	132.13	2
51	Garhwal	6.8	184.6	191.4	155.45	3
52	Nainital	119.8	202.3	322.1	552.37	11
53	Pithoragarh	11.3	136.4	147.7	130.55	2
54	Tehri Garhwal	18.4	140.1	158.5	151.07	3
55	Uttar Kashi	8.1	57.7	65.8	63.52	1
	Sub-total	205.3	1047.3	1252.6	1426.21	26
	<b>Total</b>	<b>8512.8</b>	<b>14413.9</b>	<b>22926.7</b>	<b>41531.76</b>	<b>827</b>

## ANNEXURE 14

*Viability of central co-operative banks—Assumed monthly and annual consolidated salary including leave salary, employer's contribution to P.F., etc.*

Category of staff	Assumed consolidated salary	
	Monthly	Annual
	Rs	Rs
1 Manager	1500	18000
2 Assistant Manager (who will also be the Chief Administrative Officer)	1250	15000
3 Chief Accountant	1000	12000
4 Chief Supervisor (i.e., the Chief Executive Officer)	1000	12000
5 Inspector of Branches (for internal inspection and audit)	1000	12000
6 Assistant Chief Supervisor/Loan Officer/Accountant/Establishment Officer/Branch Agent	750	9000
7 Senior Supervisor/Assistant Accountant	550	6600
8 Supervisor/Branch Cashier/Stenographer	450	5400
9 Clerk/Typist	350	4200
10 Driver/Watchman	250	3000
11 Peon	200	2400

**ANNEXURE 15**  
*Viability of central co-operative banks—Annual expenditure on salaries,  
etc., of staff posted at Head Office*

Category of staff	Expenditure in respect of central co-operative bank with branches around											
	Five		Ten		Fifteen		Twenty		Twenty-five		Thirty	
	N	E	N	E	N	E	N	E	N	E	N	E
Manager	—	—@	1	18000	1	18000	1	18000	1	18000	1	18000
Assistant Manager	1	15000	—	—*	1	15000	1	15000	1	15000	1	15000
Chief Accountant	1	12000	1	12000	1	12000	1	12000	1	12000	1	12000
Chief Supervisor	1	12000	1	12000	1	12000	1	12000	1	12000	1	12000
Inspector of Branches	—	—@@	1	12000	1	12000	1	12000	1	12000	1	12000
Assistant Chief Supervisor	—	—**	—	—**	1	9000	1	9000	2	18000	2	18000
Loan Officer	1	9000	1	9000	1	9000	1	9000	2	18000	2	18000
Establishment Officer	—	+	1	9000	1	9000	1	9000	1	9000	1	9000
Accountants	—	++	1	9000	1	9000	1	9000	1	9000	1	9000
Senior Supervisor\$	2	13200	4	26400	6	39600	8	52800	10	66000	12	79200
Assistant Accountants	1	6600	—	—£	1	6600	1	6600	2	13200	2	13200
Stenographers	—	—	1	5400	1	5400	1	5400	1	5400	1	5400
Typists	2	8400	1	4200	2	8400	2	8400	3	12600	3	12600
Clerks\$\$	6	25200	9	37800	12	52400	12	52400	15	63000	15	63000
Driver	1	3000	1	3000	1	3000	1	3000	2	6000	2	6000
Peons	4	9600	5	12000	6	14400	6	14400	8	19200	8	19200
<b>Total</b>	<b>20</b>	<b>114000</b>	<b>28</b>	<b>169800</b>	<b>38</b>	<b>234800</b>	<b>41</b>	<b>251000</b>	<b>52</b>	<b>308400</b>	<b>54</b>	<b>321600</b>

(For assumptions please turn over)

ANNEXURE 15 (contd.)

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*Note*

- N — Number of incumbents.  
E — Annual expenditure in rupees.

*Assumptions*

- @ The Manager of a central co-operative bank with five branches may be in the grade of Assistant Manager.
- \* No Assistant Manager may be necessary for central co-operative bank with ten branches and the Manager himself can look after the work of the Chief Administrative Officer with the assistance of one Establishment Officer.
- @@ The Inspector of Branches may not be necessary for a central co-operative bank with five branches and this work can be handled by the Manager.
- \*\* No Assistant Chief Supervisor may be necessary for a central co-operative bank with five or ten branches.
- + Separate Establishment Officer may not be necessary for a central co-operative bank with five branches.
- ++ The Chief Accountant of a central co-operative bank with five branches can directly be assisted by an Assistant Accountant and, therefore, the post of Accountant may not be necessary for it.
- \$ One Senior Supervisor may control the work of five supervisors. It is assumed that about 20 primary agricultural credit societies will be attached to a branch serving a block and two supervisors will be posted at each branch. The Senior Supervisors may not necessarily be posted at Head Office.
- £ The Chief Accountant of a central co-operative bank with ten branches will be assisted by an Accountant and, therefore, an Assistant Accountant may not be necessary for it.
- \$\$ Each central co-operative bank has three main sections at its Head Office, viz., Establishment, Supervision and Accounts. The strength of clerks may be 2, 3, 4 or 5 per Section according to the size of the central co-operative bank.

## ANNEXURE 16

*Viability of central co-operative banks—Annual expenditure on salaries of staff posted at a branch*

Category of staff	Number of incumbents	Annual Expenditure
		Rs
1 Branch Agent	1	9000
2 Cashier	1	5400
3 Supervisors	2	10800
4 Clerks or Clerk-cum-Typists	2	8400
5 Peons	2	4800
	<b>Total</b>	<b>38400</b>

*Assumption* It is assumed that the jurisdiction of a branch will extend to a block having 15 primary agricultural credit societies and about 7—8 primary agricultural credit societies will be under the charge of a supervisor.

*Note* Expenditure on rent for premises, stationery, postage, etc., in respect of a branch has been taken into account while calculating other establishment expenses in a subsequent annexure.



# ANNEXURE 17

*Viability of central co-operative banks—Total annual expenditure on establishment, i.e., excluding that in respect of interest on deposits, borrowings, etc.*

Rs Lakhs

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Serial No.	Item of expenditure	Basis	Expenditure in respect of central co-operative bank with branches around				
			Five	Ten	Fifteen	Twenty	Twenty-five
(i)	Salaries of staff at H.O.	Annexure 15	1.14	1.70	2.35	2.51	3.08
(ii)	Salaries at branches	Rs 38400 x No. of branches vide Annexure 16	1.92	3.84	5.76	7.68	9.00
(iii)	Total salaries of staff	(i) + (ii)	3.06	5.54	8.11	10.19	12.68
(iv)	T.A., D.A. of staff, etc.	10% of (iii) above	0.31	0.55	0.81	1.02	1.27
(v)	Directors' fees, allowances and board meeting expenses	1% —do—	0.03	0.06	0.08	0.10	0.13
(vi)	Rent, taxes, insurance, lighting, depreciation, etc.	8% —do—	0.25	0.44	0.65	0.81	1.02
(vii)	Postage, telegram/telephone charges	1½% —do—	0.05	0.08	0.12	0.15	0.19
(viii)	Stationery, printing, etc.	5% —do—	0.15	0.27	0.40	0.50	0.63
(ix)	Vehicle expenses	2% —do—	0.06	0.11	0.16	0.20	0.25
(x)	Audit fees	1% —do—	0.03	0.06	0.08	0.10	0.13
(xi)	Miscellaneous expenses (General meeting expenses, legal charges, etc.)	1½% —do—	0.05	0.08	0.12	0.15	0.19
	<b>Total</b>		<b>3.99</b>	<b>7.19</b>	<b>10.53</b>	<b>13.22</b>	<b>16.49</b>
	<b>That is, say.</b>		<b>4.00</b>	<b>7.00</b>	<b>10.50</b>	<b>13.00</b>	<b>16.50</b>

*Note:* The basis for calculation of expenditure at items (iv) to (xi) above has been fixed after review of annual accounts of a few central co-operative banks of different sizes.

## ANNEXURE 18

*Viability of central co-operative banks—Margin available for meeting establishment expenditure on a loan business of Rs 100*

Cost of raising resources				Return on deployment of resources			
Item	Amount raised Rs	Cost		Item	Amount deployed Rs	Return	
		in per cent	in amount Rs			in per cent	in amount Rs
Share capital	10	10	1.00	Cash reserve i.e., cash on hand or in current account with other banks	4	—	—
Reserves	5	—	—	Investments in shares of the apex bank	3	7	0.21
Deposits	67	6½	4.36	Investments for the purposes of statutory liquidity in			
Borrowings from the apex bank for agricultural purposes	51	9	4.59	(i) Government and other trustee securities	9	5½	0.50
				(ii) Fixed deposits with the apex bank	10	9	0.90
				Loans and advances:			
				(i) Agricultural	75	10½	8.06
				(ii) Non-agricultural	25	14	3.50
				Other assets	7	—	—
	<b>133</b>		<b>9.95</b>		<b>133</b>		<b>13.17</b>
Margin available on loan business 13.17 less 9.95 = 3.22 or, say, 3.20 per cent.							

### ANNEXURE 18 (contd.)

#### *Assumptions:*

- (i) The cost of raising share capital has been taken as 10 per cent which means that the net profit has to be of the order of 10 per cent of the paid-up share capital. Fifty per cent of the net profit will be utilized for paying a dividend of 5 per cent on shares, forty per cent will be utilized for appropriations to statutory reserve and stabilization fund and the balance ten per cent for other appropriations.
- (ii) The proportion between share capital and reserves has been taken as 2 : 1. Of the owned funds of Rs 15, Rs 5 have been invested in loan business, Rs 3 in the shares of the apex bank to provide a linking at 5 per cent for the borrowings from it and the balance Rs 7 in other assets like premises, dead stock, vehicles, stationery, etc.
- (iii) Thirty-five per cent of the deposits, i.e., Rs 23 are held in the form of cash reserve and investment in securities and fixed deposits with the apex bank to ensure maintenance of statutory liquidity standards.
- (iv) The entire borrowings of Rs 51 deemed to have been raised for advancing Rs 75 as agricultural loans.
- (v) The return on agricultural loans has been deemed to be 10½ per cent instead of 11 per cent as ½ per cent of such loans outstanding against the societies will be the contribution of the ccb to the cadre fund created for maintaining a cadre of secretaries of primaries.

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#### *Notes:*

Loan business of Rs 100 corresponds to a working capital of Rs 133.

**ANNEXURE 19**  
*Viability, potential viability and quasi-potential viability norms*

	Rs Lakhs					
	Central co-operative bank needing branches around					
	Five	Ten	Fifteen	Twenty	Twenty-five	Thirty
(i) Expected annual establishment expenditure	4.00	7.00	10.50	13.00	16.50	19.00
(ii) Loan business required to meet the expenditure at item (i) above on the basis that for meeting establishment expenditure of Rs 3.20 a loan business of Rs 100 is required as per Annexure 18	125.00	218.75	328.13	406.25	515.62	593.75
(iii) Viability norm in terms of loan business	125.00	220.00	330.00	405.00	515.00	595.00
(iv) Potential viability norm [50% of (iii) above]	62.50	110.00	165.00	202.50	257.50	297.50
(v) Quasi-potential viability norm [25% of (iii) above]	31.25	55.00	82.50	101.25	128.75	148.75

## ANNEXURE 20

*Methodology adopted to rate the performance as on 30 June 1976 of central co-operative banks in Uttar Pradesh with reference to each of the fifteen indicators mentioned in paragraph 2.56*

Sr. No.	Indicator	Rating
1	<b>Size of owned funds</b> Proportion of actual level of owned funds as on 30 June 1976 to the expected level of owned funds (at 15 per cent of the short-term agricultural potential in the area of the ccb) in percentage—	
	10 or below	5
	Above 10 and upto 25	13
	Above 25 and upto 50	18
	Above 50 and upto 60	25
	Above 60 and upto 75	30
	Above 75 and upto 100	38
	Above 100	50
2	<b>Size of deposits</b> Proportion of actual level of deposits as on 30 June 1976 to the expected level of deposits (at Rs 50 lakhs, Rs 20 lakhs and Rs 5 lakhs per one lakh of urban, rural and scheduled caste/tribe population respectively) in percentage—	
	10 or below	10
	Above 10 and upto 25	25
	Above 25 and upto 50	35
	Above 50 and upto 60	50
	Above 60 and upto 75	60
	Above 75 and upto 100	75
	Above 100	100
3	<b>Extent of reliance on external borrowings</b> Percentage of total outstanding borrowings as on 30 June 1976 to total loans outstanding—	
	Above 80	5
	Above 70 and upto 80	10
	Above 60 and upto 70	15
	Above 50 and upto 60	22
	Above 40 and upto 50	30
	Above 30 and upto 40	38
	30 or less	50

## ANNEXURE 20 (contd.)

Sr. No.	Indicator	Rating
4	<b>Size of working capital</b> Percentage of actual working capital as on 30 June 1976 to the minimum expected level at 133 per cent of the norm of viability—	
	Less than 20	2
	Above 20 and upto 40	7
	Above 40 and upto 50	10
	Above 50 and upto 60	15
	Above 60 and upto 80	18
	Above 80 and upto 100	22
	Above 100	25
5	<b>Size of total loans outstanding</b> Percentage of loans outstanding as on 30 June 1976 to the level of loan business required to function as viable unit—	
	20 or less	10
	Above 20 and upto 40	30
	Above 40 and upto 50	40
	Above 50 and upto 60	60
	Above 60 and upto 80	75
	Above 80 and upto 100	90
	Above 100	100
6	<b>Performance in meeting demand for short-term agricultural credit</b> Extent of credit gap in percentage—	
	Above 90	10
	Above 80 and upto 90	25
	Above 70 and upto 80	35
	Above 60 and upto 70	50
	Above 50 and upto 60	60
	Above 40 and upto 50	75
	Above 25 and upto 40	90
	25 or less	100
7	<b>Level of overdues</b> Percentage of overdues to demand for two out of three years (1973-4 to 1975-6)	
	Above 60	10
	Above 50 and upto 60	25
	Above 40 and upto 50	35
	Above 30 and upto 40	50
	Above 20 and upto 30	75
	20 or less	100

## ANNEXURE 20 (contd.)

Sr. No.	Indicator	Rating
8	<b>Proportion of chronic defaults</b>	
	Percentage of overdues over 3 years to total overdues—	
	Above 40	10
	Above 30 and upto 40	20
	Above 25 and upto 30	25
	Above 20 and upto 25	40
	Above 15 and upto 20	60
	Above 10 and upto 15	80
	10 or less	100
9	<b>Coercive steps taken for recovery</b>	
	Proportion of the number of award cases filed to the number of defaulters for periods over one year in percentage—	
	30 or less	10
	Above 30 and upto 50	25
	Above 50 and upto 60	40
	Above 60 and upto 75	50
	Above 75 and upto 90	75
	Above 90	100
10	<b>Defaults in repayment to the apex bank</b>	
	Defaults at the end of the co-operative year in the last 5 years 1971-2 to 1975-6	
	All the five years	Nil
	Four years	10
	Three years	20
	Two years	30
	One year	40
	None	50
11	<b>Defaults in maintaining the prescribed percentage of liquid assets</b>	
	Number of days of default in the last two years 1974-5 and 1975-6	
	Above 100	Nil
	Above 75 and upto 100	10
	Above 50 and upto 75	20
	Above 25 and upto 50	30
	25 or less	40
	None	50

## ANNEXURE 20 (contd.)

Sr. No.	Indicator	Rating
12	<b>Rate of dividend</b>	
	Nil	10
	Upto one per cent	25
	Above 1 and upto 2 per cent	35
	Above 2 and upto 3 per cent	50
	Above 3 but less than 5 per cent	75
	Five per cent and above	100
13	<b>Coverage of pacs</b>	
	20 or less	2
	Above 20 and upto 25	5
	Above 25 and upto 35	8
	Above 35 and upto 40	12
	Above 40 and upto 50	15
	Above 50 and upto 60	20
	Above 60	25
14	<b>Size of loan business of pacs</b>	
	Proportion of the number of pacs with loan business of Rs 1 lakh or above each to the total number of pacs in percentage—	
	Nil	Nil
	Upto 25	5
	Above 25 and upto 50	10
	Above 50 and upto 75	15
	Above 75 and upto 90	20
	Above 90	25
15	<b>Proportion of pacs with full-time paid managers</b>	
	Proportion to the total number of pacs in percentage—	
	Nil	Nil
	Upto 25	5
	Above 25 and upto 50	10
	Above 50 and upto 75	15
	Above 75 and upto 90	20
	Above 90	25
<b>Total rating</b>		<b>1000</b>



**ANNEXURE 21**  
*Statement showing aggregate ratings received by cchs in Uttar Pradesh*

Rs Lakhs								
Bank	Size of owned funds				Size of deposits			
	Expected level	Actual level as on 30-6-76	% of col. (2b) to col. (2a)	Rating out of 50 marks	Expected level	Actual level as on 30-6-76	% of col. (3b) to col. (3a)	Rating out of 100 marks
(1)	(2a)	(2b)	(2c)	(2d)	(3a)	(3b)	(3c)	(3d)
<b>BR</b>								
1 Banda	111.05	42.35	38.1	18	220.95	167.33	75.7	75
2 Hamirpur	96.03	44.63	46.5	18	183.65	129.62	70.6	60
3 Jalaun	89.09	41.31	46.4	18	155.70	139.59	89.7	75
4 Jhansi	103.16	62.11	60.2	25	288.10	78.50	27.2	35
<b>CR</b>								
5 Barabanki	103.25	38.86	37.6	18	284.75	90.29	31.7	35
6 Biswan	135.60	54.94	39.6	18	325.35	180.06	55.3	50
7 Fatehpur	86.21	68.41	79.4	38	228.90	203.45	88.9	75
8 Hardoi	123.26	51.26	41.6	18	321.55	79.02	24.6	25
9 Kanpur	133.37	37.29	28.0	18	840.40	130.55	15.5	25
10 Lakhimpur-Kheri	131.68	85.96	65.3	30	259.75	419.59	161.5	100
11 Mohanlalganj	49.74	33.11	66.6	30	488.45	41.22	8.4	10
12 Rae Bareli	102.68	84.77	82.6	38	246.40	107.03	43.4	35
13 Unnao	99.64	44.59	44.8	18	240.55	80.29	33.4	35

*ANNEXURE 21 (Contd.)*

	(1)	(2a)	(2b)	(2c)	(2d)	(3a)	(3b)	(3c)	(3d)
<b>ER</b>									
14	Allahabad	143.26	126.16	88.1	38	617.40	294.48	47.7	35
15	Azamgarh	147.78	82.80	56.0	25	507.95	116.90	23.0	25
16	Bahraich	125.21	48.31	38.6	18	329.05	104.95	31.9	35
17	Ballia	77.89	56.72	72.8	30	304.60	91.52	30.0	35
18	Balarampur	161.90	73.94	45.7	18	438.35	104.42	23.8	25
19	Basti	209.10	123.82	59.2	25	524.50	174.98	33.3	35
20	Deoria-Kasia	187.42	167.50	89.4	38	519.35	390.85	75.3	75
21	Faizabad	97.23	41.64	42.8	18	365.60	49.93	13.7	25
22	Ghazipur	82.15	66.42	80.9	38	280.15	126.81	45.3	35
23	Gorakhpur	166.87	96.85	58.0	25	576.10	192.85	33.5	35
24	Jaunpur	105.84	86.01	81.3	38	371.95	117.92	31.7	35
25	Mirzapur	90.73	65.46	72.1	30	278.35	98.71	35.5	35
26	Pratapgarh	76.14	71.76	94.2	38	247.10	25.92	10.5	25
27	Sultanpur	102.99	47.67	46.3	18	278.35	80.94	29.1	35
28	Varanasi	119.07	104.05	87.4	38	692.40	158.84	22.9	25
<b>WR</b>									
29	Agra	120.66	66.84	55.4	25	592.90	93.40	15.7	25
30	Aligarh	188.44	75.60	40.1	18	450.75	126.06	28.0	35
31	Bareilly	139.31	84.21	60.4	30	437.00	132.33	30.3	35
32	Bijnor	129.11	88.73	68.7	30	327.55	404.04	123.1	100
33	Budaun	129.60	88.89	68.6	30	332.05	166.48	50.1	50
34	Bulandshahr	182.98	140.10	76.6	38	422.85	206.22	48.8	35
35	Etah	127.90	46.97	36.7	18	315.10	101.28	32.0	35

## ANNEXURE 21 (Contd.)

	(1)	(2a)	(2b)	(2c)	(2d)	(3a)	(3b)	(3c)	(3d)
36	Etawah	108.30	63.54	58.7	25	273.25	169.53	62.0	60
37	Farrukhabad	104.83	81.37	77.6	38	318.00	221.59	69.6	60
38	Mainpuri	118.15	52.19	44.6	18	282.60	82.94	29.3	35
39	Mathura	121.26	92.17	76.0	38	277.95	122.70	44.1	35
40	Meerut	316.20	151.64	48.0	18	797.45	699.40	87.7	75
41	Moradabad	229.28	144.73	63.1	30	588.40	354.92	60.3	60
42	Muzaffarnagar	223.39	130.44	58.4	25	383.20	601.85	157.1	100
43	Pilibhit	89.68	47.14	52.6	25	162.40	109.88	67.7	60
44	Rampur	84.79	69.46	81.9	38	215.75	180.47	83.2	75
45	Roorkee	53.44	42.25	79.1	38	471.75	346.30	73.4	60
46	Saharanpur	154.75	81.73	52.8	25				60
47	Shahjahanpur	132.38	48.99	37.0	18				35
HR									
48	Almora	25.08	28.67	114.3	50	137.70	179.56	130.4	100
49	Chamoli	11.09	14.92	134.5	50	52.75	37.72	71.5	60
50	Dehra Dun	19.82	42.52	214.5	50	169.55	202.69	119.5	100
51	Garhwal	23.32	20.34	87.2	38	111.35	55.76	50.1	50
52	Nainital	82.86	55.93	67.5	30	175.70	307.43	175.0	100
53	Pithoragarh	19.58	18.66	95.3	38	53.50	43.28	80.9	75
54	Tehri Garhwal	22.66	30.48	134.5	50	74.45	67.71	90.0	75
55	Uttar Kashi	9.53	16.71	175.3	50	26.30	51.82	197.0	100

*ANNEXURE 21 (Contd.)*

	Reliance on external borrowings				Size of working capital			
	Total loans outstand- ing as on 30-6-76	Outstand- ing borrow- ings as on 30-6-76	% of col. (4b) to col. (4a)	Rating out of 50 marks	Expected level necessary to function as a viable unit	Actual level as on 30-6-76	% of col. (5b) to col. (5a)	Rating out of 25 marks
(1)	(4a)	(4b)	(4c)	(4d)	(5a)	(5b)	(5c)	(5d)
<b>BR</b>								
1	160.26	62.98	39.3	38	440.00	286.47	65.1	18
2	79.62	19.60	24.6	50	440.00	207.19	47.1	10
3	114.59	33.88	29.6	50	293.33	235.47	80.3	22
4	121.75	60.84	50.0	30	440.00	212.12	48.2	10
<b>CR</b>								
5	118.05	57.65	48.8	30	440.00	186.80	42.5	10
6	193.57	47.28	24.4	50	540.00	282.28	52.3	15
7	185.71	—	—	50	293.33	322.20	109.8	25
8	186.42	137.34	73.7	10	440.00	267.62	60.8	18
9	127.39	13.96	11.0	50	540.00	220.65	40.9	10
10	256.37	38.79	15.1	50	540.00	572.16	106.0	25
11	94.67	46.62	49.2	30	166.67	128.55	77.1	18
12	142.82	16.16	11.3	50	440.00	228.29	51.9	15
13	98.13	47.84	48.8	30	440.00	174.45	39.6	7

*ANNEXURE 21 (Contd.)*

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(1)	(4a)	(4b)	(4c)	(4d)	(5a)	(5b)	(5c)	(5d)
<b>ER</b>								
14	388.60	149.24	38.4	38	540.00	582.47	107.9	25
15	230.90	88.48	38.3	38	540.00	317.29	58.8	15
16	122.30	22.59	18.5	50	440.00	186.83	42.5	10
17	122.08	56.69	46.4	30	293.33	204.64	69.8	18
18	233.79	124.47	53.2	22	540.00	302.82	56.1	15
19	413.85	238.82	57.7	22	793.33	565.29	71.3	18
20	813.32	456.72	56.2	22	686.67	1015.07	147.8	25
21	114.43	56.29	49.2	30	440.00	168.96	38.4	7
22	166.15	51.92	31.2	38	293.33	263.37	89.8	22
23	279.61	52.70	18.8	50	540.00	363.73	67.4	18
24	213.14	97.07	45.5	30	440.00	308.98	70.2	18
25	159.41	71.26	44.7	30	293.33	251.23	85.6	22
26	167.13	28.12	16.8	50	293.33	219.99	74.9	18
27	113.27	60.97	53.8	22	440.00	189.58	43.1	10
28	283.32	110.52	39.0	38	440.00	401.15	91.2	22
<b>WR</b>								
29	131.58	11.95	9.1	50	440.00	213.14	48.4	10
30	202.53	99.54	49.1	30	686.67	316.99	46.2	10
31	344.59	186.36	54.1	22	540.00	429.31	79.5	18
32	352.92	6.73	1.9	50	440.00	512.65	116.5	25
33	279.65	136.75	48.9	30	440.00	420.26	95.5	22
34	484.36	310.29	64.1	15	686.67	656.61	95.6	22
35	119.05	35.73	30.0	50	440.00	183.98	41.8	10

*ANNEXURE 21 (Contd.)*

(1)	(4a)	(4b)	(4c)	(4d)	(5a)	(5b)	(5c)	(5d)
36	184.96	47.57	25.7	50	440.00	296.04	67.3	18
37	204.53	9.36	4.6	50	440.00	346.11	78.7	18
38	136.91	73.25	53.5	22	440.00	224.47	51.0	15
39	213.60	109.39	51.2	22	440.00	349.54	79.4	18
40	566.11	8.70	1.5	50	793.33	970.91	122.4	25
41	638.39	347.51	54.4	22	793.33	893.38	112.6	25
42	614.71	155.96	25.4	50	793.33	946.64	119.3	25
43	160.80	85.73	53.3	22	293.33	254.84	86.9	22
44	134.86	18.93	14.0	50	293.33	281.54	96.0	22
45	161.60	40.39	25.0	50	166.67	192.44	115.4	25
46	370.33	197.13	53.2	22	540.00	554.99	102.8	25
47	176.78	68.78	38.9	38	540.00	270.20	50.1	15
<b>HR</b>								
48	77.98	Nil	—	50	166.67	219.87	131.9	25
49	41.58	2.71	6.5	50	166.67	58.55	35.1	7
50	73.58	25.53	34.7	38	166.67	270.34	162.2	25
51	76.26	32.69	42.8	30	166.67	112.76	67.7	18
52	271.70	39.73	14.6	50	293.33	426.30	145.3	25
53	54.31	14.78	27.2	50	166.67	80.48	48.3	10
54	102.68	37.24	36.3	38	166.67	137.43	82.5	22
55	46.86	14.31	30.5	38	166.67	82.71	49.6	10

## ANNEXURE 21 (Contd.)

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(1)	Total loans outstanding				Credit gap		Level of overdues from 1973-4 to 1975-6	
	Expected level necessary to function as a viable unit	Actual level as on 30-6-76	% of col. (6b) to col. (6a)	Rating out of 100 marks	In per cent of credit potential	Rating out of 100 marks	In per cent of demand	Rating out of 100 marks
	(6a)	(6b)	(6c)	(6d)	(7a)	(7b)	(8a)	(8b)
<b>BR</b>								
1	330.00	160.26	48.6	40	75	35	37.40.20	50
2	330.00	79.62	24.1	30	84	25	61.66.50	10
3	220.00	114.59	52.1	60	63	50	34.34.19	50
4	330.00	121.75	36.9	30	75	35	56.55.40	25
<b>CR</b>								
5	330.00	118.05	35.8	30	74	35	58.58.61	25
6	405.00	193.57	47.8	40	70	50	50.43.32	35
7	220.00	185.71	84.4	90	63	50	25.44.62	35
8	330.00	186.42	56.5	60	82	25	56.56.37	25
9	405.00	127.39	31.4	30	79	35	54.62.39	25
10	405.00	256.37	63.3	75	52	60	42.41.30	35
11	125.00	94.67	75.7	75	67	50	50.44.35	35
12	330.00	142.82	43.3	40	71	35	50.65.33	35
13	330.00	98.13	29.7	30	77	35	56.64.32	25

**ANNEXURE 21 (Contd.)**

(1)	(6a)	(6b)	(6c)	(6d)	(7a)	(7b)	(8a)	(8b)
<b>ER</b>								
14	405.00	388.60	96.0	90	50	75	43.51.15	35
15	405.00	230.90	57.0	60	68	50	54.62.34	25
16	330.00	122.30	37.1	30	79	35	47.51.39	35
17	220.00	122.08	55.5	60	63	50	52.50.36	35
18	405.00	233.79	57.7	60	75	35	75.83.42	10
19	595.00	413.85	69.6	75	62	50	57.58.35	25
20	515.00	813.32	157.9	100	10	100	51.53.25	25
21	330.00	114.43	34.7	30	74	35	43.52.45	35
22	220.00	166.15	75.5	75	63	50	73.63.39	10
23	405.00	279.61	69.0	75	60	60	56.64.42	25
24	330.00	213.14	64.6	75	60	60	54.56.38	25
25	220.00	159.41	72.5	75	60	60	59.61.48	25
26	220.00	167.13	76.0	75	57	60	40.47.31	50
27	330.00	113.27	34.3	30	74	35	48.54.38	35
28	330.00	283.32	85.8	90	56	60	60.55.53	25
<b>WR</b>								
29	330.00	131.58	39.9	30	64	50	54.48.40	35
30	515.00	202.54	39.3	30	76	35	48.58.37	35
31	405.00	344.59	85.1	90	60	60	57.57.49	25
32	330.00	352.92	106.9	100	55	60	11.27.17	100
33	330.00	279.65	84.7	90	55	60	46.66.40	35
34	515.00	484.36	94.0	90	46	75	36.36.21	50



## ANNEXURE 21 (Contd.)

(1)	(6a)	(6b)	(6c)	(6d)	(7a)	(7b)	(8a)	(8b)
35	330.00	119.05	36.1	30	81	25	64.69.48	10
36	330.00	184.96	56.0	60	58	60	38.44.23	50
37	330.00	204.53	62.0	75	55	60	36.49.31	50
38	330.00	136.91	41.5	40	73	35	42.46.30	35
39	330.00	213.60	64.7	75	56	60	65.67.49	10
40	595.00	566.11	95.1	90	66	50	41.56.45	35
41	595.00	638.39	107.3	100	29	90	29.38.24	75
42	595.00	614.71	103.3	100	53	60	28.36.26	75
43	220.00	160.80	73.1	75	64	50	39.40.33	50
44	220.00	134.86	61.3	75	60	60	17.12.9	100
45	125.00	161.00	129.3	100	38	90	37.14.72	50
46	405.00	370.33	91.4	90	38	90	42.44.30	35
47	405.00	176.78	43.6	40	76	35	56.56.39	25
<b>HR</b>								
48	125.00	77.98	62.4	75	59	60	41.44.32	35
49	125.00	41.58	33.3	30	38	90	24.30.15	75
50	125.00	73.58	58.9	60	8	100	14.18.9	100
51	125.00	76.26	61.0	75	66	50	34.41.32	50
52	220.00	271.70	123.5	100	47	75	12.10.10	100
53	125.00	54.31	43.4	40	66	50	33.22.26	75
54	125.00	102.68	82.1	90	36	90	15.20.23	100
55	125.00	46.86	37.5	30	37	90	17.23.22	75

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## ANNEXURE 21 (Contd.)

	Chronic defaults				Coercive steps taken for recovery	Defaults in repayments to the apex bank in 5 years from 1971-2 to 1975-6		Defaults in maintaining the prescribed percentage of liquid assets in the last 2 years	
	Total overdues as on 30-6-76	Overdues over 3 years	% of col. (9b) to col. (9a)	Rating out of 100 marks		Number of years of default	Rating out of 50 marks	Number of days of default	Rating out of 50 marks
(1)	(9a)	(9b)	(9c)	(9d)	(10)	(11a)	(11b)	(12a)	(12b)
<b>BR</b>									
1	36.13	17.48	48.4	10	10	4	10	—	50
2	60.73	34.78	57.3	10	10	3	20	157	—
3	35.66	18.32	51.4	10	10	3	20	121	—
4	75.76	40.85	53.9	10	10	5	—	43	30
<b>CR</b>									
5	75.11	25.94	34.5	20	10	4	10	—	50
6	77.36	25.35 <sup>@</sup>	32.8	20	10	1	40	—	50
7	103.20	14.76	14.2	80	25	4	10	—	50
8	95.39	28.42	29.8	25	10	5	—	—	—
9	76.92	29.94	38.9	20	10	4	10	44	30
10	127.24	7.16	5.6	100	10	—	50	1	40
11	50.48	13.71	27.2	25	10	2	30	193	—
12	92.37	24.07	26.1	25	10	2	30	—	50
13	54.24	15.12	27.9	25	10	5	—	44	30

## ANNEXURE 21 (Contd.)

(1)	(9a)	(9b)	(9c)	(9d)	(10)	(11a)	(11b)	(12a)	(12b)
<b>ER</b>									
14	73.34	26.49	36.1	20	10	4	10	—	50
15	126.90	59.64	47.0	10	25	4	10	—	50
16	77.75	22.93	29.5	25	10	5	—	—	50
17	83.36	24.01	28.8	25	25	1	40	85	10
18	184.50	33.76	18.3	60	10	5	—	21	40
19	200.21	38.24	19.1	60	10	4	10	—	—
20	241.39	59.92	24.8	40	10	2	30	78	10
21	48.39	9.53@	19.7	60	10	3	20	6	40
22	118.48	46.36	39.1	20	10	5	—	131	—
23	180.10	38.29	21.3	40	25	3	20	40	30
24	124.08	20.26	16.3	60	10	—	50	35	30
25	115.91	46.49	40.1	10	10	4	10	31	30
26	81.31	23.26	28.6	25	10	4	10	192	—
27	70.17	15.01	21.4	40	10	4	10	—	50
28	215.69	28.60	13.3	80	25	5	—	8	40
<b>WR</b>									
29	125.36	38.48	30.7	20	10	3	20	29	30
30	120.43	51.88	43.1	10	10	5	—	177	—
31	202.80	68.34	33.7	20	10	5	—	3	40
32	70.79	5.26	7.4	100	10	—	50	—	50
33	160.30	37.25	23.2	40	10	5	—	92	10
34	155.27	50.00	32.2	20	10	1	40	6	40

*ANNEXURE 21 (Contd.)*

(1)	(9a)	(9b)	(9c)	(9d)	(10)	(11a)	(11b)	(12a)	(12b)
35	93.88	30.65@	32.6	20	10	5	—	224	—
36	81.71	45.99	56.3	10	10	—	50	—	50
37	91.89	33.16	36.1	20	10	—	50	—	50
38	61.85	19.43	31.4	20	10	4	10	86	10
39	182.07	80.00@	43.9	10	10	5	—	40	30
40	370.63	141.81	38.3	20	10	—	50	—	50
41	241.31	49.27	20.4	40	10	2	30	431	—
42	206.06	30.75	14.9	80	10	—	50	32	30
43	64.92	9.59	14.8	80	10	—	50	11	40
44	39.44	3.57	9.1	100	10	—	50	—	50
45	47.56	29.56	62.1	10	10	1	40	—	50
46	129.25	21.84	16.9	60	10	2	30	43	30
47	98.47	24.41@	24.8	40	10	4	10	33	30
<b>HR</b>									
48	27.51	1.70@	6.2	100	10	1	40	—	50
49	6.05	0.99	16.4	60	10	2	30	—	50
50	21.03	3.98	18.9	60	10	—	50	—	50
51	25.01	7.59	30.3	20	10	5	—	263	—
52	23.03	1.17	5.1	100	10	2	30	39	30
53	13.19	0.25	1.9	100	10	—	50	—	50
54	21.15	5.75	27.1	25	10	2	30	28	30
55	9.71	0.72	7.4	100	10	3	20	—	50

@ As on 30-6-75 (Figures of overdues over 3 years as on 30-6-76 were not available).

*ANNEXURE 21 (Contd.)*

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	Rate of Dividend		Coverage of pacs		Size of loan business of pacs		Proportion of pacs with full-time paid managers		Aggregate rating out of 1000 marks
	In per cent for 1975-6	Rating out of 100 marks	In per cent	Rating out of 25 marks	Percentage of pacs with loan business of over Rs 1 lakh to total pacs	Rating out of 25 marks	Proportion to total number of pacs in %	Rating out of 25 marks	
(1)	(13a)	(13b)	(14a)	(14b)	(15a)	(15b)	(16a)	(16b)	(17)
<b>BR</b>									
1	—	10	31	8	68.7	15	35	10	<b>397</b>
2	—	10	42	15	..*	5	15	5	<b>278</b>
3	—	10	61	25	65.3	15	8	5	<b>420</b>
4	—	10	49	15	37.2	10	3	5	<b>280</b>
<b>CR</b>									
5	—	10	39	12	73.2	15	49	10	<b>320</b>
6	—	10	44	15	39.2	10	2	5	<b>418</b>
7	—	10	70	25	40.9	10	32	10	<b>583</b>
8	—	10	39	12	29.2	10	66	15	<b>263</b>
9	—	10	49	15	37.8	10	23	5	<b>303</b>
10	—	10	48	15	89.7	20	84	20	<b>640</b>
11	—	10	39	12	31.0	10	19	5	<b>350</b>
12	—	10	46	15	13.4	5	72	15	<b>408</b>
13	—	10	50	15	5.4	5	32	10	<b>285</b>

*ANNEXURE 21 (Contd.)*

(1)	(13a)	(13b)	(14a)	(14b)	(15a)	(15b)	(16a)	(16b)	(17)
<b>ER</b>									
14	—	10	43	15	47.7	10	93	25	<b>486</b>
15	—	10	65	25	53.2	15	74	15	<b>398</b>
16	—	10	39	12	67.4	15	5	5	<b>340</b>
17	—	10	68	25	28.5	10	24	5	<b>408</b>
18	—	10	34	8	53.6	15	2	5	<b>333</b>
19	—	10	51	20	58.4	15	61	15	<b>390</b>
20	—	10	58	20	80.5	20	100	25	<b>550</b>
21	—	10	46	15	35.3	10	72	15	<b>360</b>
22	—	10	52	20	34.7	10	1	5	<b>343</b>
23	—	10	44	15	57.2	15	55	15	<b>458</b>
24	—	10	47	15	19.7	5	5	5	<b>466</b>
25	—	10	39	12	67.6	15	61	15	<b>389</b>
26	3	50	63	25	63.2	15	22	5	<b>456</b>
27	—	10	48	15	52.4	15	17	5	<b>379</b>
28	—	10	51	20	51.2	15	24	5	<b>489</b>
<b>WR</b>									
29	—	10	64	25	..*	5	3	5	<b>350</b>
30	—	10	44	15	31.0	10	13	5	<b>253</b>
31	—	10	54	20	63.5	15	32	10	<b>405</b>
32	4	75	50	15	77.1	20	..*	5	<b>790</b>
33	1	10	53	20	81.4	20	48	5	<b>432</b>
34	1	10	40	12	61.2	15	34	5	<b>477</b>

## ANNEXURE 21 (Contd.)

(1)	(13a)	(13b)	(14a)	(14b)	(15a)	(15b)	(16a)	(16b)	(17)
35	—	10	54	20	36.6	10	..*	5	<b>253</b>
36	—	10	80	25	49.2	10	..*	5	<b>493</b>
37	—	10	64	25	72.3	15	18	5	<b>536</b>
38	—	10	56	20	51.6	15	36	10	<b>305</b>
39	—	10	46	15	87.3	20	25	5	<b>358</b>
40	—	10	43	15	90.2	25	100	25	<b>548</b>
41	—	10	46	15	98.6	25	12	5	<b>537</b>
42	—	10	49	15	77.2	20	..*	5	<b>655</b>
43	—	10	47	15	85.2	20	48	10	<b>538</b>
44	4	75	45	15	84.6	20	83	20	<b>760</b>
45	—	10	44	15	75.0	15	15	5	<b>568</b>
46	—	10	44	15	75.0	15	15	5	<b>522</b>
47	—	10	46	15	68.7	15	32	10	<b>366</b>
<b>HR</b>									
48	—	10	44	15	11.8	5	57	15	<b>640</b>
49	—	10	67	25	3.8	5	47	10	<b>562</b>
50	—	10	55	20	88.7	20	63	15	<b>708</b>
51	—	10	56	20	19.1	5	29	10	<b>376</b>
52	5	100	43	15	35.1	10	37	10	<b>785</b>
53	1	25	80	25	8.2	5	69	15	<b>613</b>
54	—	10	50	15	20.5	5	38	10	<b>600</b>
55	1	25	58	20	40.9	10	86	20	<b>648</b>

\* Figures not available. Hence minimum rating given.

## ANNEXURE 22

*Comparative position of the primary agricultural credit societies  
in Uttar Pradesh for the years 1971-2 to 1974-5*

Rs Lakhs				
	1971-2	1972-3	1973-4	1974-5
(1)	(2)	(3)	(4)	(5)
1 No. of societies	24559	23524	23002	21933
2 No. of dormant societies	2756	3058	3297	3306
3 Percentage of 2 to 1	11.2	13.0	14.3	15.1
4 Membership ('000 omitted)	5749	6127	6420	6720
5 Percentage of 4 to total rural families at 135.90 lakhs (1971 census)	42.3	45.1	47.2	49.4
6 Membership of scheduled castes ('000 omitted)	NA	NA	NA	715
7 Percentage of 6 to 4	—	—	—	10.6
8 No. of borrowing members ('000 omitted)	1471	2313	2249	2192
9 Percentage of 8 to 4	25.6	37.8	35.0	32.6
10 No. of indebted members ('000 omitted)	NA	NA	3682	3831
11 Percentage of 10 to 4	—	—	57	58
12 No. of defaulter members ('000 omitted)	NA	NA	2072	2179
13 Percentage of 12 to 10	—	—	56	57
14 Paid-up capital	2360.03	2900.88	3232.95	3507.29
Of which, from Government	192.89	253.45	279.13	308.81
15 Owned funds	2970.69	3534.74	3919.96	4247.39
16 Deposits	476.41	528.05	580.89	632.88
17 Borrowings	7968.21	9798.94	10619.46	11544.28
Of which, from DCBs	7890.30	9717.22	10533.78	11454.84
No. of societies borrowing	17880	19995	18613	18703
Gross borrowings during the year from DCBs	5184.04	7365.51	7330.74	7543.15
18 Loans outstanding	9103.55	10887.74	11746.61	12653.03
Of above, short-term loans	6927.06	8506.22	9508.62	10500.62
Of above, medium-term loans	2176.49	2381.52	2237.99	2152.41
19 Loans overdue	4695.45	5331.76	6456.62	7607.76
Of above, short-term	4001.42	4426.90	5310.85	6383.20
Of above, medium-term	694.03	904.86	1145.77	1224.56
Of above, over 3 years	378.73	573.24	787.19	1720.71@
Percentage of 19 to 18	52	49	55	60
Percentage of chronic over-dues to total overdues	8.0	10.8	12.2	22.6



## ANNEXURE 22 (Contd.)

	(2)	(3)	(4)	(5)
20 Loans advanced	5245.24	7138.80	7268.92	7480.22
Of above, short-term	3964.54	6328.54	6878.85	7102.88
Of above, medium-term	1280.70	810.26	390.07	377.34
21 No. of societies with full-time paid secretaries	3383	4155	4155	4389
22 Percentage of 21 to 1	14	18	18	20
23 No. of societies working at profit	19683	18586	17597	16607
24 No. of societies working at loss	2120	1880	2108	2020
25 No. of societies without profit or loss	2756	3058	3297	3306

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@ Tabulated figure on the basis of data received from the districts, which is deemed more authentic.

**ANNEXURE 23**  
*District-wise position of primary agricultural credit societies  
in Uttar Pradesh as on 30 June 1975*

Rs Thousands								
District	No. of pacs	No. of rural families ( '000)	Member- ship of pacs ( '000)	% of col. (4) to col. (3)	Indebted member- ship ( '000)	% of col. (6) to col. (4)	Defaulting members ( '000)	% of col. (8) to col. (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
<b>BR</b>								
1 Banda	230	193	61	31	30	49	12	40
2 Hamirpur	354	161	67	42	34	51	24	71
3 Jalaun	272	118	72	61	44	61	27	61
4 Jhansi	407	187	92	49	43	47	33	77
Sub-total	1263	659	292	44	151	52	96	64
<b>CR</b>								
5 Barabanki	354	314	124	39	64	52	46	72
6 Fatehpur	234	219	154	70	124	81	35	28
7 Hardoi	391	308	122	39	59	48	35	59
8 Kanpur	579	298	145	49	107	74	45	42
9 Kheri	156	263	128	48	80	63	44	55
10 Lucknow	282	157	61	39	32	52	18	56
11 Rae Bareli	313	293	136	46	60	44	17	28
12 Sitapur	320	328	145	44	75	52	44	59
13 Unnao	381	271	136	50	96	71	33	34
Sub-total	3010	2451	1151	47	697	66	317	45

## ANNEXURE 23 (Contd.)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
<b>ER</b>									
14	Allahabad	940	440	191	43	116	61	75	65
15	Azamgarh	839	411	268	65	98	37	59	60
16	Bahraich	307	347	134	39	71	53	42	59
17	Ballia	563	223	152	68	101	66	64	63
18	Basti	630	528	272	51	127	47	92	72
19	Deoria	871	449	261	58	233	89	121	52
20	Faizabad	493	322	147	46	68	43	42	67
21	Ghazipur	602	224	116	52	71	61	43	61
22	Gonda	731	418	142	34	76	54	68	89
23	Gorakhpur	769	490	215	44	123	57	110	89
24	Jaunpur	656	312	148	47	75	51	44	59
25	Mirzapur	331	247	98	39	49	50	34	69
26	Pratapgarh	553	268	170	63	82	48	44	54
27	Sultanpur	502	307	148	48	81	55	56	69
28	Varanasi	851	344	174	51	84	48	53	63
	Sub-total	9638	5330	2636	49	1450	55	947	65
<b>WR</b>									
29	Agra	835	243	157	64	53	34	29	55
30	Aligarh	431	306	134	44	77	57	37	48
31	Bareilly	420	246	133	54	79	59	45	57
32	Bijnor	172	216	108	50	71	66	26	37
33	Budaun	360	273	146	53	92	63	65	71
34	Bulandshahr	466	311	123	40	90	73	42	47

*ANNEXURE 23 (Contd.)*

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
35 Etah	203	250	134	54	68	51	35	51	
36 Etawah	447	220	172	80	107	62	48	45	
37 Farrukhabad	399	243	157	64	100	64	50	50	
38 Mainpuri	468	232	129	56	67	51	40	60	
39 Mathura	371	178	81	46	60	74	51	85	
40 Meerut	470	416	183	43	136	74	96	71	
41 Moradabad	454	322	149	46	128	86	56	44	
42 Muzaffarnagar	315	261	129	49	71	55	36	51	
43 Pilibhit	88	129	61	47	28	46	14	50	
44 Rampur	94	123	55	45	30	55	12	40	
45 Saharanpur	414	286	127	44	88	69	56	64	
46 Shahjahanpur	345	209	97	46	47	48	30	64	
Sub-total	6752	4464	2275	51	1392	61	768	55	
HR									
47 Almora	131	147	64	44	16	25	10	63	
48 Chamoli	136	63	42	67	16	38	6	38	
49 Dehra Dun	98	60	33	55	20	61	6	30	
50 Garhwal	386	116	65	56	18	28	7	39	
51 Nainital	119	115	49	43	21	43	6	29	
52 Pithoragarh	164	60	48	80	18	38	5	28	
53 Tehri Garhwal	185	92	46	50	21	46	6	29	
54 Uttar Kashi	51	33	19	58	11	58	5	45	
Sub-total	1270	686	366	53	141	39	51	36	
Grand Total	21933	13590	6720	49	3831	57	2179	57	

## ANNEXURE 23 (Contd.)

		Paid-up capital	Total loans out- standing	Total overdues	% of col. (12) to col. (11)	Overdues over 3 years	% of col. (14) to col. (12)	Loans issued	
								Short- term	Medium- term
(1)		(10)	(11)	(12)	(13)	(14)	(15)	(16a)	(16b)
<b>BR</b>	1	4375	15123	7504	50	1965	26	9816	932
	2	3990	8548	7707	90	1545	20	3071	141
	3	5367	14117	9309	66	1900	20	10416	398
	4	5815	14078	11532	82	2704	24	6978	351
	Sub-total	19547	51866	36052	70	8114	23	30281	1822
<b>CR</b>	5	4152	14297	11471	80	1245	11	7554	1118
	6	4989	18298	5561	30	450	8	10480	1460
	7	5802	20396	11993	59	2905	24	8356	801
	8	4497	10331	9713	94	3590	37	7122	70
	9	7613	25284	16766	66	6502	39	14918	760
	10	2792	9537	6868	72	4550	66	4414	480
	11	5581	16651	11605	70	2019	17	8756	287
	12	6067	17595	10701	61	3988	37	10095	302
	13	4291	12278	9492	77	2246	24	5717	79
	Sub-total	45784	144667	94170	65	27495	29	77412	5357

*ANNEXURE 23 (Contd.)*

	(1)	(10)	(11)	(12)	(13)	(14)	(15)	(16a)	(16b)
<b>ER</b>	<b>14</b>	9203	33873	19665	58	9296	47	20335	1093
	15	7720	22621	17020	75	372	2	11277	552
	16	4328	13043	9107	70	135	1	6958	900
	17	5429	16806	12138	72	656	5	9687	729
	18	11604	41590	26946	65	4074	15	16438	5120
	19	20563	84146	49635	59	12409@	25	44271	865
	20	3873	11206	8031	72	111	1	8691	186
	21	2593	19077	16116	84	8827	55	7953	156
	22	5271	26058	24481	94	6416	26	6669	196
	23	9940	29707	26161	88	2124	8	12847	1196
	24	8144	23960	16080	67	1066	7	12766	443
	25	5943	19776	14160	72	550	4	7148	1094
	26	7301	22434	11046	49	1336	12	12174	1079
	27	4379	12791	9599	75	4225	44	8917	216
	28	8640	34257	24352	71	1978	8	19588	815
Sub-total		114931	411345	284537	69	53575	19	205719	14640
<b>WR</b>	<b>29</b>	6267	17060	12353	72	860	7	10620	258
	30	7565	22645	17906	79	4865	27	14003	37
	31	8015	34649	19766	57	2094	11	18149	491
	32	10656	43752	15955	36	3436	22	29265	1965
	33	9422	36441	23442	64	5392@	23	12140	417
	34	11767	53614	31208	58	4890	16	40990	895
	35	4991	15939	11612	73	3871@	33	7677	838
	36	6788	18072	12100	67	6900@	57	12524	282

## ANNEXURE 23 (Contd.)

	(1)	(10)	(11)	(12)	(13)	(14)	(15)	(16a)	(16b)
	37	6417	21843	11892	54	2363	20	14273	28
	38	4435	15804	8293	52	1743	21	9354	85
	39	6358	30541	27676	91	4552	16	7922	256
	40	13493	63602	32280	51	12912@	40	25278	1209
	41	14733	65579	26240	40	5510@	21	46580	505
	42	10543	45958	18532	40	5854	32	38302	737
	43	4509	17464	10548	60	4506	43	10334	127
	44	4606	13242	5186	39	439	8	11493	272
	45	12900	54431	27227	50	5465	20	33668	326
	46	5081	16733	11307	68	2680	24	8217	96
	Sub-total	148546	587369	323523	55	78332	24	350789	8824
HR	47	2727	7185	5082	71	1024	20	2133	207
	48	1725	4328	1528	35	382	25	2635	382
	49	4224	15082	3664	24	565	15	8605	2652
	50	2456	6977	2075	30	531	26	3070	944
	51	5107	18254	5065	28	830	16	18102	1540
	52	1973	5707	1666	29	151	9	3807	830
	53	2574	8178	2305	28	1030	45	4964	115
	54	1135	4345	1109	26	42	4	2771	421
	Sub-total	21921	70056	22494	32	4555	20	46087	7091
<b>Total</b>		<b>350729</b>	<b>1265303</b>	<b>760776</b>	<b>60</b>	<b>172071</b>	<b>23</b>	<b>710288</b>	<b>37734</b>

@ Projected figures on the basis of position at the DCB level.

**ANNEXURE 24**  
*Important particulars of primary agricultural credit societies*  
*as on 30 June 1976*

Rs Lakhs

District	No. of societies	Membership ('000)			Loans issued during 1975-6			Loans outstanding as on 30-6-76			Overdues as on 30-6-76	
		Total	Of which		Total	Of which		Total	Of which		Total	Of which for over 3 years
			Indebted	Defaulting		Short-term	Medium-term		Short-term	Medium-term		
(1)	(2)	(3a)	(3b)	(3c)	(4a)	(4b)	(4c)	(5a)	(5b)	(5c)	(6a)	(6b)
BR												
1 Banda	190	68	35	13	145.42	137.99	7.43	166.06	133.74	32.32	59.17	NA
2 Hamirpur												
3 Jalaun	258	75	42	15	161.46	155.49	5.97	138.88	125.68	13.20	45.26	18.39
4 Jhansi												
CR												
5 Barabanki	277	129	59	39	105.05	95.75	9.30	130.91	87.70	43.21	90.13	27.86
6 Fatehpur	142	171	32	21	112.13	104.13	8.00	157.87	125.71	32.16	99.68	24.76
7 Hardoi	286	147	57	39	61.75	57.84	3.91	187.36	124.76	62.60	118.00	52.00
8 Kanpur	184	162	102	40	100.11	97.63	2.48	95.50	88.38	7.12	66.32	29.35
9 Kheri												
10 Lucknow												
11 Rae Bareli	264	138	49	30	121.77	116.30	5.47	160.59	116.16	44.43	95.40	24.07
12 Sitapur												
13 Unnao												



## ANNEXURE 24 (Contd.)

(1)	(2)	(3a)	(3b)	(3c)	(4a)	(4b)	(4c)	(5a)	(5b)	(5c)	(6a)	(6b)
<b>ER</b>												
14 Allahabad												
15 Azamgarh												
16 Bahraich												
17 Ballia												
18 Basti	401	276	151	77	258.27	246.39	11.88	407.87	294.49	113.38	242.03	44.69
19 Deoria	387	280	218	99	719.98	714.65	5.33	917.16	814.18	102.98	399.83	NA
20 Faizabad	208	148	69	43	109.38	105.31	4.07	109.80	80.53	29.27	81.58	1.12
21 Ghazipur												
22 Gonda	287	147	71	61	88.18	80.31	7.87	213.33	152.01	61.32	181.53	33.76
23 Gorakhpur	330	232	135	99	186.18	181.58	4.60	297.39	235.97	61.42	219.54	128.53
24 Jaunpur												
25 Mirzapur	176	130	55	27	124.43	101.99	22.44	148.04	78.02	70.02	108.43	NA
26 Pratapgarh	221	175	68	31	127.47	120.15	7.32	200.81	162.54	38.27	88.35	28.08
27 Sultanpur	334	156	72	47	94.57	90.75	3.82	121.65	106.26	15.39	76.13	39.51
28 Varanasi												
<b>WR</b>												
29 Agra												
30 Aligarh												
31 Bareilly	279	136	72	37	207.66	203.98	3.68	360.77	326.67	34.10	180.73	42.94
32 Bijnor												
33 Budaun												
34 Bulandshahr	264	125	89	39	621.47	612.41	9.06	497.72	480.60	17.12	174.98	39.43

## ANNEXURE 24 (Contd.)

(1)	(2)	(3a)	(3b)	(3c)	(4a)	(4b)	(4c)	(5a)	(5b)	(5c)	(6a)	(6b)
35 Etah	183	138	39	33	63.85	61.81	2.04	140.60	111.05	29.55	109.22	47.10
36 Etawah	150	181	91	46	187.24	184.51	2.13	216.57	204.13	12.44	80.52	41.17
37 Farrukhabad	374	171	89	39	191.56	190.56	1.00	234.52	230.77	3.75	105.89	33.15
38 Mainpuri												
39 Mathura	223	72	46	38	112.90	110.81	2.09	230.87	204.49	26.38	203.20	47.35
40 Meerut												
41 Moradabad												
42 Muzaffarnagar	181	126	NA	NA	NA	NA	NA	531.26	516.63	14.63	160.39	35.65
43 Pilibhit	55	64	29	11	140.89	140.89	—	180.08	155.35	24.73	100.28	25.57
44 Rampur												
45 Saharanpur	192	138	85	35	609.41	608.20	1.21	646.61	612.10	34.51	206.59	106.78
46 Shahjahanpur	115	99	50	28	159.71	153.16	6.55	188.63	158.80	29.83	110.24	52.05
<b>HR</b>												
47 Almora	128	64	15	10	20.93	16.39	4.54	58.04	44.29	13.75	50.82	10.12
48 Chamoli	132	39	6	4	38.75	34.34	4.41	49.93	38.00	11.93	8.72	0.87
49 Dehra Dun	98	34	20	5	126.64	96.24	30.40	160.83	106.27	54.56	26.30	3.95
50 Garhwal	377	69	16	5	44.97	37.35	7.62	72.02	43.52	28.50	20.79	3.35
51 Nainital	93	51	23	8	259.88	246.66	13.22	244.52	209.18	35.34	51.90	8.46
52 Pithoragarh	151	49	11	7	35.68	32.23	3.45	57.41	42.68	14.73	17.41	1.57
53 Tehri Garhwal												
54 Uttar Kashi	51	20	13	5	36.97	30.99	5.98	48.46	35.67	12.79	12.77	0.53

## ANNEXURE 25

*Re-organized societies in the plane districts of Uttar Pradesh  
as on 31 December 1976*

District	Re-organized societies in plane areas			
	Pacs	LSS	FSS	Total
	(1)	(2)	(3)	(4)
<b>BR</b>				
Banda	59	27	1	87
Hamirpur	69	15	1	85
Jalaun	44	19	1	64
Jhansi	43	12	—	55
Lalitpur	33	7	—	40
Sub-total	248	80	3	331
<b>CR</b>				
Barabanki	153	—	—	153
Fatehpur	84	22	1	107
Hardoi	204	—	1	205
Kanpur	174	7	—	181
Kheri	113	15	1	129
Lucknow	99	—	—	99
Rae Bareli	180	—	3	183
Sitapur	196	8	1	205
Unnao	173	—	1	174
Sub-total	1376	52	8	1436
<b>ER</b>				
Allahabad	240	21	—	261
Azamgarh	322	4	1	327
Bahraich	138	16	1	155
Ballia	129	15	1	145
Basti	288	31	1	320
Deoria	318	—	8	326
Faizabad	182	10	—	192
Ghazipur	171	6	1	178
Gonda	206	17	1	224
Gorakhpur	268	8	9	285
Jaunpur	201	7	1	209
Mirzapur	166	4	1	171
Pratapgarh	171	—	1	172
Sultanpur	180	5	1	186
Varanasi	188	21	2	211
Sub-total	3168	165	29	3362

*ANNEXURE 25 (Contd.)*

	(1)	(2)	(3)	(4)
<b>WR</b>				
Agra	121	7	—	128
Aligarh	62	59	—	121
Bareilly	135	8	—	143
Bijnor	62	34	—	96
Budaun	149	8	1	158
Bulandshahr	159	20	—	179
Etah	79	37	—	116
Etawah	106	15	—	121
Farrukhabad	103	22	1	126
Mainpuri	96	22	1	119
Mathura	73	17	1	91
Meerut	125	38	—	163
Moradabad	121	25	1	147
Muzaffarnagar	64	23	—	87
Pilibhit	36	18	—	54
Rampur	52	14	—	66
Saharanpur	117	23	—	140
Shahjahanpur	106	13	1	120
Sub-total	1766	403	6	2175
<b>Grand Total</b>	<b>6558</b>	<b>700</b>	<b>46</b>	<b>7304</b>

## ANNEXURE 26

*District-wise position of commercial bank offices  
as on 30 June 1976*

District	Number of offices				Total	Average population per branch office ( <sup>'000</sup> )
	Rural	Semi- urban	Urban	Metro- politan		
(1)	(2)	(3)	(4)	(5)	(6)	(7)
<b>BR</b>						
1 Banda	12	7	—	—	19	62
2 Hamirpur	8	10	—	—	18	54
3 Jalaun	6	10	—	—	16	51
4 Jhansi	11	4	15	—	30	15
5 Lalitpur	5	3	—	—	8	11
Sub-total	42	34	15	—	91	
	(46)	(37)	(17)			
<b>CR</b>						
6 Barabanki	9	12	—	—	21	78
7 Fatehpur	13	8	—	—	21	61
8 Hardoi	7	13	—	—	20	92
9 Kanpur	34	1	—	117	152	20
10 Kheri	16	12	—	—	28	53
11 Lucknow	12	—	79	—	91	18
12 Rae Bareli	16	11	—	—	27	56
13 Sitapur	11	13	—	—	24	79
14 Unnao	12	9	—	—	21	71
Sub-total	130	79	79	117	405	
	(32)	(19)	(20)	(29)		
<b>ER</b>						
15 Allahabad	24	1	54	—	79	37
16 Azamgarh	30	16	—	—	46	62
17 Bahraich	12	6	—	—	18	96
18 Ballia	14	10	—	—	24	66
19 Basti	25	9	—	—	34	88
20 Deoria	17	11	—	—	28	100
21 Faizabad	11	7	11	—	29	66
22 Ghazipur	15	11	—	—	26	59
23 Gonda	13	14	—	—	27	85
24 Gorakhpur	42	—	24	—	66	46
25 Jaunpur	19	11	—	—	30	67
26 Mirzapur	22	11	7	—	40	39

## ANNEXURE 26 (Contd.)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
27	Pratapgarh	11	4	—	—	15	94
28	Sultanpur	8	6	—	—	14	117
29	Varanasi	41	15	62	—	118	24
	Sub-total	304	132	158	—	594	
		(51)	(22)	(27)	—		
WR							
30	Agra	24	2	57	—	83	28
31	Aligarh	21	10	22	—	53	40
32	Bareilly	10	6	32	—	48	37
33	Bijnore	12	26	—	—	38	39
34	Budaun	17	17	—	—	34	48
35	Bulandshahr	16	37	—	—	53	39
36	Etah	14	19	—	—	33	48
37	Etawah	16	12	—	—	28	51
38	Farrukhabad	17	11	12	—	40	39
39	Mainpuri	12	13	—	—	25	58
40	Mathura	22	10	17	—	49	26
41	Meerut	55	46	67	—	168	20
42	Moradabad	18	27	28	—	73	33
43	Muzaffar-						
	nagar	31	14	20	—	65	28
44	Pilibhit	9	15	—	—	24	31
45	Rampur	10	1	8	—	19	47
46	Saharanpur	26	35	22	—	83	25
47	Shahjahanpur	9	4	12	—	25	51
	Sub-total	339	305	297	—	941	
		(36)	(32)	(32)	—		
HR							
48	Almora	11	8	—	—	19	39
49	Chamoli	11	—	—	—	11	27
50	Dehra Dun	19	16	26	—	61	9
51	Garhwal	12	2	—	—	14	39
52	Nainital	27	28	—	—	55	14
53	Pithoragarh	7	2	—	—	9	44
54	Tehri						
	Garhwal	11	—	—	—	11	36
55	Uttar Kashi	7	—	—	—	7	21
	Sub-total	105	56	26	—	187	
		(56)	(30)	(14)	—		
Total							
		920	606	575	117	2218	40
		(42)	(27)	(26)	(5)		

NB: Figures in brackets indicate the percentage to total.

## ANNEXURE 27

*District-wise position of deposits, outstanding advances, etc. of commercial banks as on last Friday of June 1976*

Rs Crores							
District	No. of branches	Deposits		Outstanding advances		Credit deposit ratio (%)	Percentage of col. (4b) to col. (4a)
		Total	Per branch office	Total	Agri-cultural		
(1)	(2)	(3a)	(3b)	(4a)	(4b)	(5)	(6)
<b>BR</b>							
1 Banda	19	5.37	0.28	1.13	0.29	21.0	25.6
2 Hamirpur	18	4.77	0.26	0.92	0.51	19.2	55.4
3 Jalaun	16	7.30	0.46	1.35	0.58	18.4	43.0
4 Jhansi	30	15.81	0.53	2.57	0.67	16.3	26.0
5 Lalitpur	8	2.57	0.32	0.40	0.13	15.3	32.5
Sub-total	91	35.84	0.39	6.37	2.18	18.0	34.2
<b>CR</b>							
6 Barabanki	21	8.07	0.38	2.29	1.21	28.4	52.8
7 Fatehpur	21	7.31	0.35	0.85	0.44	11.7	51.8
8 Hardoi	20	11.15	0.56	3.16	0.57	28.4	18.1
9 Kanpur	152	163.49	1.08	85.35	3.27	52.2	3.8
10 Kheri	28	12.01	0.43	6.87	1.12	57.2	16.3
11 Lucknow	91	189.08	2.08	136.26	43.02	72.1	31.5
12 Rai Bareilly	27	8.54	0.32	4.25	0.79	49.7	18.5

*ANNEXURE 27 (Contd.)*

	(1)	(2)	(3a)	(3b)	(4a)	(4b)	(5)	(6)
13	Sitapur	24	14.58	0.61	7.53	0.90	51.6	11.9
14	Unnao	21	7.19	0.34	1.21	0.21	16.8	17.3
	Sub total	405	421.42	1.04	247.77	51.53	59.0	20.8
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<b>ER</b>								
15	Allahabad	79	72.72	0.92	24.57	1.05	33.8	4.2
16	Azamgarh	46	15.93	0.35	3.86	1.34	24.2	34.7
17	Bahraich	18	6.34	0.35	1.45	0.60	22.8	41.3
18	Ballia	24	13.53	0.56	1.69	0.82	12.5	48.5
19	Basti	34	9.92	0.29	5.29	1.69	53.3	31.9
20	Deoria	28	14.40	0.52	8.48	0.85	58.9	10.0
21	Faizabad	29	17.02	0.59	3.88	1.30	22.8	33.5
22	Ghazipur	26	11.32	0.44	2.11	1.25	18.6	59.2
23	Gonda	27	9.52	0.35	2.34	0.80	24.5	34.2
24	Gorakhpur	66	38.91	0.59	13.28	3.17	34.1	23.8
25	Jaunpur	30	12.08	0.40	2.56	1.37	21.2	53.5
26	Mirzapur	40	20.16	0.50	16.00	0.66	79.4	4.1
27	Pratapgarh	15	5.76	0.38	0.73	0.30	12.6	41.1
28	Sultanpur	14	6.76	0.48	1.43	0.87	21.1	60.8
29	Varanasi	118	79.52	0.67	24.69	1.75	31.0	7.1
	Sub-total	594	333.89	0.56	112.36	17.82	34.0	15.9
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<b>WR</b>								
30	Agra	83	62.39	0.75	23.07	2.55	37.0	11.1
31	Aligarh	53	30.33	0.57	12.85	1.91	42.4	14.9
32	Bareilly	48	34.42	0.72	9.27	1.30	26.9	14.0
33	Bijnore	38	18.13	0.48	5.21	0.74	28.7	14.2



*ANNEXURE 27 (Contd.)*

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	(2)	(3a)	(3b)	(4a)	(4b)	(5)	(6)
34 Budaun	34	8.97	0.26	2.52	0.96	28.1	38.0
35 Bulandshahr	53	22.53	0.43	6.84	2.37	30.4	34.6
36 Etah	33	8.75	0.27	1.15	1.20	47.4	28.9
37 Etawah	28	12.54	0.45	2.29	1.05	18.3	45.8
38 Farrukhabad	40	13.34	0.33	5.99	1.66	44.9	27.7
39 Mainpuri	25	9.06	0.36	2.05	0.73	22.7	35.6
40 Mathura	49	19.54	0.40	7.77	1.94	39.7	24.9
41 Meerut	168	113.84	0.68	65.02	8.62	57.1	13.2
42 Moradabad	73	41.33	0.57	20.62	2.45	49.9	11.8
43 Muzaffarnagar	65	35.45	0.55	13.03	2.53	36.8	16.3
44 Pilibhit	24	11.95	0.50	5.79	1.97	48.5	34.0
45 Rampur	19	6.86	0.36	4.88	1.20	71.2	24.6
46 Saharanpur	83	53.22	0.64	23.94	3.03	45.0	12.6
47 Shahjahanpur	25	12.26	0.49	4.78	1.98	39.0	41.4
Sub-total	941	514.91	0.55	220.07	38.19	43.0	17.3
<b>HR</b>							
48 Almora	19	5.04	0.27	1.66	0.08	32.9	4.8
49 Chamoli	11	0.66	0.06	0.13	0.01	18.9	7.7
50 Dehra Dun	61	81.95	1.34	20.84	0.39	25.4	1.8
51 Garhwal	14	6.15	0.44	1.00	0.03	16.3	3.0
52 Nainital	55	30.62	0.56	16.17	5.54	52.8	34.2
53 Pithoragarh	9	2.76	0.31	0.21	0.03	7.5	14.3
54 Tehri Garhwal	11	1.41	0.13	0.30	0.01	21.1	3.3
55 Uttar Kashi	7	0.93	0.13	0.25	0.05	27.2	20.0
Sub-total	187	129.52	0.69	40.56	6.14	31.0	15.1
<b>Total</b>	<b>2218</b>	<b>1435.58</b>	<b>0.65</b>	<b>627.13</b>	<b>115.86</b>	<b>43.7</b>	<b>18.4</b>

**ANNEXURE 28**  
*District-wise position of outstanding credit provided by commercial banks  
to priority sectors as on last Friday of June 1976*

						Rs Lakhs	
District	Agriculture			Other priority sectors	Total [col. (2c) + col. (3)]	Percentage of col. (4) to total	
	Direct	Indirect	Total			Advances	Deposits
(1)	(2a)	(2b)	(2c)	(3)	(4)	(5a)	(5b)
<b>BR</b>							
1 Banda	24.99	3.73	28.72	40.48	69.20	61.3	12.9
2 Hamirpur	51.27	—	51.27	24.75	76.02	82.9	15.9
3 Jalaun	57.13	0.89	58.02	22.49	80.51	59.7	11.0
4 Jhansi	66.75	0.01	66.76	92.19	158.95	61.8	10.0
5 Lalitpur	13.04	1.12	13.16	11.72	24.88	62.9	9.7
Sub-total	213.18	4.75	217.93	191.63	409.56		
<b>CR</b>							
6 Barabanki	91.88	28.71	120.69	36.07	156.76	68.4	19.4
7 Fatehpur	42.96	0.88	43.84	20.33	64.17	75.1	8.8
8 Hardoi	40.77	16.11	56.88	64.31	121.19	38.3	10.9
9 Kanpur	129.46	198.02	327.48	1885.35	2212.83	25.9	14.8
10 Kheri	111.30	1.10	112.40	68.92	181.32	26.4	15.1
11 Lucknow	93.42	4208.10	4301.52	899.39	5200.91	38.2	22.2
12 Rae Bareli	65.68	12.92	78.60	227.83	306.43	72.1	35.8

## ANNEXURE 28 (Contd.)

(1)		(2a)	(2b)	(2c)	(3)	(4)	(5a)	(5b)
13	Sitapur	78.42	11.77	90.19	134.73	224.92	29.9	15.4
14	Unnao	18.70	1.85	20.55	51.27	71.82	59.4	10.0
	Sub-total	672.69	4479.46	5152.15	3388.20	8540.35		
ER								
15	Allahabad	80.10	25.06	105.16	398.58	503.74	20.5	7.0
16	Azamgarh	112.43	21.88	134.31	129.38	263.69	68.3	16.6
17	Bahraich	58.45	1.78	60.23	27.47	87.70	60.5	13.8
18	Ballia	69.83	11.92	81.75	19.88	101.63	60.0	7.5
19	Basti	167.94	1.26	169.20	38.42	207.62	39.3	21.0
20	Deoria	77.25	8.24	85.49	54.35	139.84	16.5	9.7
21	Faizabad	117.15	12.76	129.91	119.21	249.12	64.2	14.6
22	Ghazipur	118.89	5.93	124.82	48.09	172.91	82.0	15.3
23	Gonda	78.78	1.66	80.44	20.09	100.53	43.0	10.6
24	Gorakhpur	268.35	48.34	316.69	148.98	465.67	35.1	12.0
25	Jaunpur	123.46	13.04	136.50	56.92	193.42	75.7	16.0
26	Mirzapur	64.01	1.61	65.62	199.06	264.68	16.5	13.1
27	Pratapgarh	28.89	1.33	30.22	20.50	50.72	69.9	8.8
28	Sultanpur	86.01	0.76	86.77	22.79	109.56	76.8	16.2
29	Varanasi	151.89	22.80	174.69	1789.44	1964.13	79.6	24.7
	Sub-total	1603.43	178.37	1781.80	3093.16	4874.96		
WR								
30	Agra	235.65	18.85	254.50	1305.08	1559.58	67.6	25.0
31	Aligarh	136.28	55.05	191.33	514.00	705.33	54.9	23.3
32	Bareilly	86.21	43.86	130.07	274.50	404.57	43.7	11.8
33	Bijnor	70.91	3.09	74.00	163.45	237.45	45.6	13.1

*ANNEXURE 28 (Contd.)*

	(1)	(2a)	(2b)	(2c)	(3)	(4)	(5a)	(5b)
34	Budaun	57.02	38.51	95.53	81.17	176.70	70.1	19.9
35	Bulandshahr	223.96	12.92	236.88	196.58	433.46	63.4	19.2
36	Etah	108.66	11.24	119.90	124.54	244.44	58.9	28.0
37	Etawah	102.36	2.33	104.69	65.68	170.37	74.3	13.6
38	Farrukhabad	81.85	84.39	166.24	369.13	535.37	89.3	40.1
39	Mainpuri	69.50	3.07	72.57	82.81	155.38	75.6	17.2
40	Mathura	177.83	16.19	194.02	354.20	548.22	70.6	28.1
41	Meerut	419.44	442.94	862.38	1712.56	2574.94	39.6	22.6
42	Moradabad	226.32	19.10	245.42	1033.00	1278.42	62.0	30.9
43	Muzaffarnagar	242.04	11.39	253.43	242.35	495.78	38.0	14.0
44	Pilibhit	181.60	15.55	197.15	84.35	281.50	48.6	23.6
45	Rampur	105.31	14.21	119.52	57.28	176.80	36.2	25.8
46	Saharanpur	256.68	46.58	303.26	338.79	642.05	26.8	12.1
47	Shahjahanpur	177.29	20.24	197.53	123.17	320.70	67.1	26.2
	Sub-total	2958.91	859.51	3818.42	7122.64	10941.06		
<hr/>								
HR								
48	Almora	7.62	0.01	7.63	27.90	35.53	21.4	7.1
49	Chamoli	0.56	—	0.56	11.03	11.59	92.4	17.6
50	Dehra Dun	35.99	2.58	38.57	329.81	368.38	17.7	4.5
51	Garhwal	3.31	0.07	3.38	88.61	91.99	91.8	15.0
52	Nainital	514.06	40.11	554.17	310.36	864.53	53.5	28.3
53	Pithoragarh	3.19	—	3.19	14.49	17.68	85.2	6.4
54	Tehri Garhwal	1.24	—	1.24	12.40	13.64	45.7	9.7
55	Uttar Kashi	5.38	—	5.38	18.70	24.08	94.7	25.9
	Sub-total	571.35	42.77	614.12	813.30	1427.42		
<hr/>								
	<b>Total</b>	<b>6019.56</b>	<b>5564.86</b>	<b>11584.42</b>	<b>14608.93</b>	<b>26193.35</b>		
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## ANNEXURE 29

*District-wise position of demand and recoveries of agricultural advances of commercial banks for the year ending last Friday of June 1975*

Rs Lakhs				
District	Demand during 1974-5	Recoveries during 1974-5	Overdues as on 30-6-75	Percentage of over-dues to demand
(1)	(2)	(3)	(4)	(5)
<b>BR</b>				
1 Banda	17.99	7.02	10.97	61
2 Hamirpur	6.48	4.81	1.06	16
3 Jalaun	21.33	8.73	12.57	59
4 Jhansi	38.65	10.30	28.35	73
5 Lalitpur	2.07	0.95	1.12	54
Sub-total	86.52	31.81	54.07	62
<b>CR</b>				
6 Barabanki	42.92	19.16	24.66	57
7 Fatehpur	13.17	7.32	5.85	44
8 Hardoi	21.33	8.76	12.57	59
9 Kanpur	64.91	26.66	38.25	59
10 Kheri	9.61	14.42	15.78	53
11 Lucknow	54.22	20.86	33.34	62
12 Rae Bareli	25.32	8.62	10.70	42
13 Sitapur	11.38	5.42	5.96	52
14 Unnao	6.08	2.40	3.72	61
Sub-total	268.94	113.62	150.83	56
<b>ER</b>				
15 Allahabad	24.02	11.20	12.82	53
16 Azamgarh	7.62	4.73	2.89	38
17 Bahraich	4.85	2.13	2.72	56
18 Ballia	21.30	11.92	9.38	44
19 Basti	37.14	17.73	19.41	52
20 Deoria	38.43	15.55	22.88	59
21 Faizabad	17.83	11.37	6.46	36
22 Ghazipur	9.35	4.11	5.24	56
23 Gonda	22.82	9.73	13.09	57
24 Gorakhpur	131.27	57.43	73.84	56
25 Jaunpur	16.63	9.48	7.15	43

## ANNEXURE 29 (Contd.)

	(1)	(2)	(3)	(4)	(5)
26	Mirzapur	17.77	10.05	7.72	43
27	Pratapgarh	2.74	1.68	1.06	39
28	Sultanpur	14.74	6.44	8.30	56
29	Varanasi	43.22	22.19	16.03	37
	Sub-total	459.73	195.74	208.99	45

## WR

30	Agra	88.04	36.15	51.88	59
31	Aligarh	109.22	45.01	64.11	59
32	Bareilly	62.99	37.47	25.50	45
33	Bijnor	41.83	20.89	20.94	50
34	Budaun	17.93	10.02	7.91	44
35	Bulandshahr	93.76	35.96	57.96	62
36	Etah	28.22	12.65	15.57	55
37	Etawah	62.35	25.64	36.71	55
38	Farrukhabad	29.03	17.10	11.93	41
39	Mainpuri	11.12	4.10	7.02	63
40	Mathura	81.28	32.41	48.87	60
41	Meerut	205.24	83.22	117.83	57
42	Moradabad	103.48	99.33	65.26	63
43	Muzaffarnagar	142.03	73.81	68.22	48
44	Pilibhit	72.74	54.31	18.43	25
45	Rampur	55.23	30.46	24.77	45
46	Saharanpur	103.00	52.12	50.88	50
47	Shahjahanpur	58.15	40.93	17.22	29
	Sub-total	1365.64	711.58	711.01	52

## HR

48	Almora	0.21	0.18	0.03	14
49	Chamoli	—	—	—	—
50	Dehra Dun	8.60	3.43	5.17	60
51	Garhwal	0.10	0.02	0.08	80
52	Nainital	234.47	188.83	45.72	19
53	Pithoragarh	0.14	0.13	0.01	7
54	Tehri Garhwal	—	—	—	—
55	Uttar Kashi	—	—	—	—
	Sub-total	243.52	192.59	51.01	20

<b>Total</b>	<b>2424.35</b>	<b>1245.34</b>	<b>1175.91</b>	<b>49</b>
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**ANNEXURE 30**

*Position of regional rural banks in Uttar Pradesh as on 31-12-76*

Rs Lakhs

Sr. No.	Name of Regional Rural Bank	Owned funds	Deposits	Total loans outstanding		Direct finance for agricultural purposes including M.T. agricultural purposes and allied activities		Finance through pacs/fss			Percentage of		
				No. of beneficiaries	Amount	No. of beneficiaries	Amount	No. of societies	Out-standing advances	No. of beneficiaries	Col. (4b)	Col. (5b)	Col. (5b) to col. (4b)
											to col. (3)	to col. (3)	col. (4b)
	(1)	(2)	(3)	(4a)	(4b)	(5a)	(5b)	(6a)	(6b)	(6c)	(7a)	(7b)	(7c)
1	Prathama Bank, Moradabad	25.09	54.36	5189	46.36	3513	25.10	—	—	—	85.3	46.2	54.1
2	Gorakhpur Kshetriya Gramin Bank	26.12	100.02	15464	73.37	NA	NA	13	6294	24.82	73.4	24.8@	33.6@
3	Samyuta Kshetriya Gramin Bank	25.00	43.94	5371	43.55	3823	22.40	—	—	—	99.1	51.0	51.4
4	Barabanki Gramin Bank	25.00	18.08	3562	13.07	3149	9.12	—	—	—	72.3	50.4	69.8
5	Rae Bareilly Kshetriya Gramin Bank	25.00	32.77	3360	26.21	2834	21.01	—	—	—	80.0	64.1	80.2
6	Farrukhabad Gramin Bank	25.00	22.61	2253	16.99	1550	12.44	—	—	—	75.1	55.0	73.2
7	Bhagirath Gramin Bank, Sitapur	25.00	3.00	207	1.50	122	0.89	—	—	—	50.0	29.7	59.3
8	Ballia Kshetriya Gramin Bank	25.00	0.79	44	0.36	2	0.07	—	—	—	45.6	8.9	19.4

@ Percentage of (6c) to (3) and (4b) respectively.

# ANNEXURE 31

*Particulars of gross cropped area, estimated credit requirements, credit gaps and branches of commercial banks required in respect of blocks where commercial banks may undertake financing of pacs*

Rs Lakhs

District/ Block	Gross cropped area (Hectares)			Credit require- ments	Credit requirements met			Credit gap [col. (3)- col. (4c)]	Number of branches of com- mercial banks required
	Irrigated	Unirri- gated	Total		Loans overdue at primary level as on 30-6-74	Loans issued by primary societies during 1974-5	Total		
(1)	(2a)	(2b)	(2c)	(3)	(4a)	(4b)	(4c)	(5)	(6)
<b>BR BANDA</b>									
1 Baberu	10.5	42.7	53.2	68.95	4.16	14.15	18.31	50.64	1
2 Barokhar	8.7	51.2	59.9	72.95	2.15	6.99	9.14	63.81	1
3 Bisanda	23.2	29.5	52.7	87.50	4.97	4.31	9.28	78.22	2
4 Jaspura	—	48.6	48.6	48.60	2.32	0.08	2.40	46.20	1
5 Kamasin	7.4	41.2	48.6	59.70	1.80	9.34	11.14	48.56	1
6 Mahua	18.8	16.9	35.7	63.90	3.26	11.14	14.40	49.50	1
7 Naraini	16.3	45.3	61.6	86.05	7.56	8.81	16.37	69.68	1
8 Pahari	3.1	50.1	53.2	57.85	2.79	8.38	11.17	46.68	1
9 Tindwari	3.9	44.0	47.9	53.75	1.97	5.75	7.72	46.03	1
									10
<b>HAMIRPUR</b>									
10 Charkhari	5.6	59.9	65.5	73.90	5.67	2.46	8.13	65.77	1
11 Gohand	15.8	55.5	71.4	65.00	1.88	1.88	3.76	61.24	1



## ANNEXURE 31 (Contd.)

[illegible]

## ANNEXURE 31 (Contd.)

	(1)	(2a)	(2b)	(2c)	(3)	(4a)	(4b)	(4c)	(5)	(6)
CR	FATEHPUR									
29	Amauli	7.9	27.4	35.3	54.00	3.76	1.21	4.97	49.03	1
30	Asothar	7.9	27.4	35.3	54.00	5.29	1.58	6.87	47.13	1
										2
	HARDOI									
31	Bharkhani	11.8	29.3	41.1	66.13	7.82	6.39	14.21	51.92	1
32	Surpa	9.4	26.0	35.4	56.00	3.94	1.45	5.39	50.61	1
										2
	KANPUR									
33	Bhitargaon	12.2	20.7	32.9	56.38	2.43	4.75	7.18	49.20	1
34	Ghatampur	16.3	49.7	66.0	102.87	2.20	3.93	6.13	96.74	2
35	Rajpur	11.2	17.9	29.1	50.38	2.11	2.54	4.65	45.73	1
										4
	KHERI									
36	Bijua	3.8	46.5	50.3	72.37	5.62	9.71	15.33	57.04	1
37	Lakhimpur	8.6	27.4	36.0	66.50	5.69	13.92	19.61	46.89	1
38	Mitauli	7.8	26.0	33.8	61.75	6.37	5.40	11.77	49.98	1
39	Mohamdi	12.5	20.5	33.0	72.51	4.59	14.84	19.43	53.08	1
40	Nighasan	0.9	53.3	54.2	69.99	3.56	8.67	12.23	57.76	1
41	Pallia	1.9	39.7	41.6	56.74	0.78	7.14	7.92	48.82	1
42	Pasgawan	10.6	31.5	42.1	79.12	6.48	6.48	12.96	66.16	1
43	Ramiabehar	0.9	39.7	40.6	53.01	3.68	4.04	7.72	45.29	1
										8



**ANNEXURE 31 (Contd.)**

	(1)	(2a)	(2b)	(2c)	(3)	(4a)	(4b)	(4c)	(5)	(6)
<b>FAIZABAD</b>										
52	Akbarpur	13.4	15.8	29.2	53.25	2.22	2.63	4.85	48.40	1
53	Jalalpur	12.5	17.5	30.0	53.13	2.57	1.79	4.36	48.77	1
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<b>GHAZIPUR</b>										
54	Manihari	14.9	15.0	29.9	56.00	4.35	6.41	10.76	45.24	1
55	Reotipur	4.1	42.9	47.0	63.87	3.71	2.18	5.89	57.98	1
56	Zamania	16.3	21.5	37.8	67.63	7.15	7.63	14.78	52.85	1
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										3
<b>GONDA</b>										
57	Balrampur	8.5	40.9	49.4	72.37	14.63	2.54	17.17	55.20	1
58	Gainsari	1.2	54.5	55.7	71.12	4.85	0.99	5.84	65.28	1
59	Harriaya									
	Satgharwa	1.2	56.0	57.2	73.00	4.73	0.46	5.19	67.81	1
60	Pachpurwa	0.6	46.9	47.5	60.12	11.96	—	11.96	48.16	1
61	Tulsipur	0.5	51.5	52.0	65.62	9.22	0.43	9.65	55.97	1
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<b>GORAKHPUR</b>										
62	Nautanwa	6.5	32.4	38.9	56.75	9.34	1.45	10.79	45.96	1
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										1

## ANNEXURE 31 (Contd.)

	(1)	(2a)	(2b)	(2c)	(3)	(4a)	(4b)	(4c)	(5)	(6)
<b>MIRZAPUR</b>										
63	Ghorawal	10.9	37.6	48.5	64.85	4.69	3.89	8.58	56.27	1
64	Rajgarh	15.3	31.9	47.2	70.15	2.19	1.02	3.21	66.94	1
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<b>WR AGRA</b>										
65	Narkhi	19.6	11.7	31.3	63.62	NA	NA	NA	63.62	1
66	Parvihabad	8.8	20.0	28.8	47.00	NA	NA	NA	47.00	1
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<b>BAREILLY</b>										
67	Bhadpura	12.2	13.4	25.6	62.50	3.41	6.08	9.49	53.01	1
68	Bhuta	13.3	20.8	34.1	75.87	12.84	8.68	21.52	54.35	1
69	Kichcha	11.0	19.3	30.3	65.38	7.72	9.01	16.73	48.65	1
70	Majgaon	12.2	20.8	33.0	71.75	8.79	4.40	13.19	58.56	1
71	Nawabganj	17.6	17.8	35.4	88.25	8.08	17.66	25.74	62.51	1
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<b>BIJNOR</b>										
72	Haldaur	18.2	11.8	30.0	83.00	0.28	18.79	19.07	63.93	1
73	Jaleelpur	20.3	22.0	42.3	103.63	4.65	35.69	40.34	63.29	1
74	Kirpatpur	8.1	44.1	52.2	85.50	—	25.67	25.67	59.83	1

**ANNEXURE 31 (Contd.)**

	(1)	(2a)	(2b)	(2c)	(3)	(4a)	(4b)	(4c)	(5)	(6)
75	Kotwali	11.1	41.1	52.2	93.00	7.39	34.83	42.22	50.78	1
76	Noorpur	21.3	13.2	34.5	96.38	0.95	38.36	39.31	57.07	1
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	<b>BUDAUN</b>									
77	Dahegawan	8.1	22.5	30.6	48.37	1.42	1.48	2.90	45.47	1
78	Sahaswan	12.6	30.0	42.6	69.00	1.80	8.11	9.91	59.09	1
79	Ummru	10.8	16.5	27.3	47.62	NA	NA	—	47.62	1
										<hr/> 3
	<b>ETAH</b>									
80	Aliganj	17.6	20.4	38.0	69.50	10.36	7.11	17.47	52.03	1
81	Ganjdund- wara	8.6	29.5	38.1	69.50	3.54	1.25	4.79	53.59	1
82	Jaithra	17.1	18.6	35.7	66.00	4.52	6.06	10.58	65.42	1
83	Jalesar	20.7	11.9	32.6	66.63	9.79	3.31	13.10	53.53	1
84	Patiali	10.2	25.4	35.6	57.25	1.86	1.15	3.01	54.24	1
85	Sakit	18.7	10.3	29.0	59.63	6.59	4.59	11.18	48.45	1
86	Shitalpur	20.9	8.3	29.2	62.62	6.56	5.89	12.45	50.17	1
87	Soran	21.1	40.5	61.6	103.37	7.21	8.36	15.57	87.80	2
										<hr/> 9



*ANNEXURE 31 (Contd.)*

	(1)	(2a)	(2b)	(2c)	(3)	(4a)	(4b)	(4c)	(5)	(6)
<b>MUZAFFAR-NAGAR</b>										
101	Baghra	23.2	5.8	29.0	94.25	9.05	36.76	45.81	48.44	1
102	Budhana	21.8	7.7	29.5	91.38	11.53	31.95	43.48	47.90	1
103	Charthawal	24.6	9.6	34.2	104.25	6.87	28.15	35.02	69.23	1
104	Jansath	31.4	15.4	46.8	137.00	27.43	31.32	58.75	78.25	2
105	Kairana	21.8	3.8	25.6	86.50	4.89	16.89	21.78	64.72	1
106	Kandhla	27.3	5.8	33.1	109.62	6.59	37.15	43.74	65.88	1
107	Khatauli	31.4	5.8	37.2	125.00	20.42	36.28	56.70	68.30	1
108	Morna	27.3	9.6	36.9	114.37	5.30	23.98	29.28	85.09	2
109	Purkazi	19.1	34.6	53.7	114.87	9.57	52.88	62.45	52.42	1
110	Shumli	23.2	—	23.2	87.00	5.14	12.81	17.95	69.05	1
111	Shikarpur	21.8	5.8	27.6	89.00	5.01	15.79	20.80	68.20	1
112	Thanabhawan	25.9	3.8	29.7	101.87	20.39	15.87	36.26	65.61	1
113	Un	34.1	7.7	41.8	137.49	8.04	28.39	36.43	100.96	3
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										17
<b>PILIBHIT</b>										
114	Barkhera	10.8	22.5	33.3	68.62	14.43	9.03	23.46	45.16	1
115	Marauri	19.4	23.7	43.1	102.37	5.65	13.56	19.21	83.16	2
116	Puranpur	31.0	54.3	85.3	184.13	22.18	25.01	47.19	136.94	3
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*ANNEXURE 31 (Contd.)*

	(1)	(2a)	(2b)	(2c)	(3)	(4a)	(4b)	(4c)	(5)	(6)
<b>SHAHJAHANPUR</b>										
133	Banda	20.1	16.3	36.4	95.75	4.84	17.38	22.22	73.53	2
134	Bhawelkhera	17.0	12.6	29.6	79.50	5.96	6.81	12.77	66.73	1
135	Dadrour	11.0	15.1	26.1	60.13	4.60	5.12	9.72	50.41	1
136	Jaitipur	11.0	17.6	28.6	63.25	2.93	2.96	5.89	57.36	1
137	Jalalabad	15.0	15.1	30.1	75.13	6.07	3.89	9.96	65.17	1
138	Kalan	8.0	17.6	25.6	52.00	2.29	0.11	2.40	49.60	1
139	Kanth	13.0	15.1	28.1	67.62	3.31	10.23	13.54	54.08	1
140	Khubar	13.0	20.1	33.1	73.87	10.18	9.21	19.39	54.48	1
141	Nigohi	9.0	12.5	21.5	49.38	2.90	1.26	4.16	45.22	1
142	Powayan	13.0	17.6	30.6	70.75	4.24	14.11	18.35	52.40	1
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										11
<b>DEHRA DUN</b>										
143	Doiwala	15.3	11.4	26.7	52.50	0.01	0.04	0.05	52.45	1
144	Sahaspur	9.8	21.3	31.1	51.13	0.01	0.04	0.05	51.08	1
										<hr/>
										2
<b>NAINITAL</b>										
145	Bazpur	32.4	35.8	68.2	125.75	7.67	23.22	30.89	94.86	2
146	Khatima	10.4	79.5	89.9	125.38	9.35	30.84	40.19	85.19	2
147	Rudrapur	19.5	21.9	41.4	76.12	4.17	21.21	25.38	50.74	1
										<hr/>
										5

## ANNEXURE 32

Statement showing the district-wise position of cane financing as at the end of October 1976

Rs Lakhs

Name of the district central co-operative bank	Papers submitted by cane unions for fixation of credit limits		Cash credit limits sanctioned by the district central co-operative banks		Aggregate amount of pro-notes submitted by cane unions for recoupment	Aggregate amount recouped by the DCBs
	No. of growers	Amount	No. of growers	Amount		
(1)	(2)	(3)	(4)	(5)	(6)	(7)
<b>CR</b>						
1 Barabanki	2792	16.80	2792	16.80	1.26	1.26
2 Biswan	27283	246.24	27283	246.24	40.71	35.55
3 Hardoi	9585	80.46	6379	54.27	14.11	10.45
4 Lakhimpur-Kheri	68180	628.29	52525	495.19	79.50	76.43
5 Mohanlalganj	N.A.	1.72	N.A.	1.72	Nil	Nil
6 Rae Bareilly	Nil	Nil	Nil	Nil	Nil	Nil
Sub-total	107840	973.51	88979	814.22	135.58	123.69
<b>ER</b>						
7 Azamgarh	1648	7.51	1648	7.51	3.82	3.82
8 Bahraich	N.A.	2.43	N.A.	2.43	Nil	Nil
9 Ballia	1725	15.28	1725	15.28	2.65	2.65
10 Basti	52157	225.06	51266	220.21	33.55	33.55
11 Deoria	95276	589.12	95276	589.12	190.04	175.65
12 Faizabad	2282	17.06	2282	17.06	3.26	2.35
13 Ghazipur	946	6.91	946	6.91	0.69	0.69
14 Gonda	8261	65.72	8067	46.20	2.02	2.02
15 Gorakhpur	25899	182.23	20921	127.24	55.73	47.95
16 Jaunpur	933	4.40	772	3.87	1.07	1.07
17 Mirzapur	166	1.56	166	1.56	Nil	Nil
18 Sultanpur	199	1.92	199	1.92	Nil	Nil
19 Varanasi	2735	22.38	2201	16.69	1.25	1.25
Sub-total	192227	1141.58	185469	1056.00	294.08	271.00

## ANNEXURE 32 (Contd.)

(1)	(2)	(3)	(4)	(5)	(6)	(7)
<b>WR</b>						
20 Aligarh	282	4.69	201	2.78	1.60	1.60
21 Bareilly	26235	261.75	10290	116.94	28.74	27.39
22 Bijnor	36023	391.41	36023	391.41	57.23	56.97
23 Budaun	3699	47.79	3436	43.84	13.39	13.39
24 Bulandshahr	8568	111.93	2388	28.58	4.67	4.65
25 Etah	N.A.	10.11	N.A.	8.78	2.44	2.17
26 Fatehgarh	2301	25.32	1300	16.59	5.86	5.12
27 Mathura	Nil	Nil	Nil	Nil	Nil	Nil
28 Meerut	57819	952.22	33586	392.79	121.16	118.83
29 Morada- bad	56195	672.86	36708	467.08	49.98	44.48
30 Muzaffar- nagar	58788	1477.04	58788	1477.04	172.46	172.46
31 Pilibhit	42628	252.15	41899	246.62	35.89	35.10
32 Rampur	19325	231.43	12806	152.07	25.63	25.63
33 Roorkee	25440	441.42	23570	413.34	58.40	53.20
34 Saharan- pur	44354	731.98	40362	591.65	125.57	114.10
35 Shahja- hanpur	21348	213.48	15371	106.90	10.52	9.42
Sub-total	403005	5825.58	316728	4456.41	713.54	684.51
<b>HR</b>						
36 Dehra Dun	5796	75.41	4506	68.89	10.39	10.39
37 Haldwani	18688	416.78	15250	286.55	81.29	81.29
Sub-total	24484	492.19	19756	355.44	91.68	91.68
<b>Total</b>	<b>727556</b>	<b>8432.86</b>	<b>610932</b>	<b>6682.07</b>	<b>1234.88</b>	<b>1170.88</b>

## ANNEXURE 33

*Statement showing the district-wise position of licensed power crushers as at the end of June 1976*

District	No. of licensed crushers
(1)	(2)
<i>Bundelkhand Region</i>	
1 Hamirpur	1
2 Jalaun	1
<i>Central Region</i>	
3 Barabanki	6
4 Fatehpur	4
5 Hardoi	4
6 Kanpur	1
7 Kheri	134
8 Rae Bareli	1
9 Sitapur	135
10 Unnao	1
<i>Eastern Region</i>	
11 Azamgarh	67
12 Bahraich	7
13 Ballia	12
14 Basti	6
15 Deoria	17
16 Faizabad	10
17 Gonda	7
18 Gorakhpur	5
19 Sultanpur	1

## ANNEXURE 33 (Contd.)

(1)	(2)
<i>Western Region</i>	
20 Agra	1
21 Aligarh	25
22 Bareilly	122
23 Bijnor	656
24 Budaun	31
25 Bulandshahr	38
26 Etawah	2
27 Farrukhabad	56
28 Mathura	16
29 Meerut	559
30 Moradabad	562
31 Muzaffarnagar	573
32 Pilibhit	97
33 Rampur	48
34 Saharanpur	420
35 Shahjahanpur	245
<i>Hilly Region</i>	
36 Dehra Dun	34
37 Nainital	172
<b>Total</b>	<b>4077</b>

**ANNEXURE 34**  
*Average collection of milk*

Milk Union	No. of socie- ties	Of col. (2) work- ing	Societies with average daily collection in litres				Non- working societies
			Above 75	50- to 75	30 to 50	below 30	
(1)	(2)	(3)	(4a)	(4b)	(4c)	(4d)	(5)
<b>BR</b>							
1 Jalaun	102	Nil	—	—	—	—	102
<b>CR</b>							
2 Kanpur	318	139	NA	NA	NA	NA	179
3 Lucknow	431	370	29	28	66	247	61
4 Sitapur	58	58	—	—	—	58	—
<b>ER</b>							
5 Allahabad	172	93	9	9	21	54	79
6 Azamgarh	125	Nil	—	—	—	—	125
7 Gorakhpur	52	18	3	7	4	4	34
8 Jaunpur	100	Nil	—	—	—	—	100
9 Pratapgarh	105	14	2	2	1	9	91
10 Varanasi	133 £	Nil	—	—	—	—	133
<b>WR</b>							
11 Agra	82	27	20	5	2	—	55
12 Aligarh	471	305	165	70	51	19	166
13 Bareilly	93	34	—	—	34	—	59
14 Bijnor	92	Nil	—	—	—	—	92
15 Bulandshahr	78	20	8	2	1	9	58
16 Farrukhabad	85	Nil	—	—	—	—	85
17 Mathura	130	11	4	2	2	3	119
18 Meerut	267 £	68 @	49	14	3	11	199
19 Moradabad (Dalpadpur)	310	71*	68	14	27	24	239
20 Muzaffarnagar	103	15	8	4	3	—	88
21 Shahjahanpur	97	Nil	—	—	—	—	97

## ANNEXURE 34 (Contd.)

	(1)	(2)	(3)	(4a)	(4b)	(4c)	(4d)	(5)
<b>HR</b>								
22 Almora		25	16	3	—	5	8	9
23 Dehra Dun		120	4	—	—	—	4	116
24 Garhwal (Kotdwara)		15	4	—	—	—	3	11
25 Srinagar (Garhwal)		NA	NA	NA	NA	NA	NA	NA
26 Nainital (Lalkuon)		89	48	11	9	10	18	41
27 Pithoragarh		22	Nil	—	—	—	—	22
<b>Total</b>		<b>3675</b>	<b>1315</b>	<b>379</b>	<b>166</b>	<b>231</b>	<b>471</b>	<b>2360</b>

@@ Break-up includes information in respect of either 9 unregistered societies or PCDF societies.

\* Break-up includes information in respect of 62 unregistered societies.

£ Exclusive of PCDF societies.



## ANNEXURE 35

*District-wise position of villages affected by natural calamity  
and estimate of non-wilful defaults*

Rs Lakhs

District	No. of villages in the district (1971 census)	No. of villages affected by natural calamity where <i>annevari</i> was declared 6 annas or below during				
		1971-2	1972-3	1973-4	1974-5	1975-6
(1)	(2)	(3)	(4)	(5)	(6)	(7)
<b>BR</b>						
1 Banda	1207	892	1207	537	1207	284
2 Hamirpur	930	—	—	365	237	892
3 Jalaun	957	7	—	957	257	849
4 Jhansi	1450	1327	1101	24	134	768
Sub-total	4544	2226	2308	1883	1835	2793
<b>CR</b>						
5 Barabanki	2047	1980	—	—	—	263
6 Fatehpur	1352	25	27	3	—	—
7 Hardoi	1879	1830	914	678	771	329
8 Kanpur	1898	400	27	20	—	—
9 Kheri	1670	1670	555	—	660	—
10 Lucknow	907	—	—	—	—	—
11 Sitapur	2329	1762	548	176	222	124
12 Rae Bareli	1749	1471	1749	1142	—	13
13 Unnao	1699	506	100	344	—	354
Sub-total	15530	9644	3920	2363	1653	1083
<b>ER</b>						
14 Allahabad	3531	—	602	44	267	939
15 Azamgarh	4943	1043	—	747	1229	1073
16 Bahraich	1884	915	306	62	78	782
17 Ballia	1912	1337	1245	1113	792	322
18 Basti	6942	—	1027	1502	1604	3211
19 Deoria	3559	1328	—	3445	804	466
20 Faizabad	2654	1863	—	228	—	82
21 Ghazipur	2510	1692	2070	1256	534	194
22 Gonda	2814	860	249	73	308	699
23 Gorakhpur	4094	1118	872	1091	1166	1031
24 Jaunpur	3226	1217	1328	1596	639	—
25 Mirzapur	2993	1972	2993	686	2633	345
26 Pratapgarh	2195	808	1622	250	—	—
27 Sultanpur	2491	1906	574	296	461	454
28 Varanasi	3647	2018	3177	41	645	—
Sub-total	49395	18077	16065	12430	11160	9598

## ANNEXURE 35 (Contd.)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
<b>WR</b>							
29 Agra	1182	—	—	—	—	—	45
30 Aligarh	1717	20	—	—	—	69	13
31 Bareilly	1922	766	—	—	1233	—	—
32 Bijnor	2102	—	12	106	—	—	—
33 Budaun	1814	—	76	—	—	319	856
34 Buland-shahr	1537	—	—	18	230	—	—
35 Etah	1524	—	—	—	—	—	—
36 Etawah	1477	—	4	1477	475	—	—
37 Farrukhabad	1626	1127	—	1546	110	201	—
38 Mainpuri	1386	—	—	292	70	—	—
39 Mathura	884	21	—	28	837	63	—
40 Meerut	1501	60	—	75	222	—	—
41 Moradabad	2459	426	—	1214	48	343	—
42 Muzaffarnagar	927	99	85	32	—	—	—
43 Pilibhit	1156	269	—	5	—	—	—
44 Rampur	1092	—	—	—	—	—	—
45 Saharanpur	1688	8	30	196	—	—	—
46 Shahjahanpur	2088	431	2088	259	2088	—	—
Sub-total	28082	3227	2295	6481	4468	1521	—
<b>HR</b>							
47 Almora	3576	77	—	—	—	—	25
48 Chamoli	1488	—	—	—	—	—	—
49 Dehra Dun	767	—	—	—	—	—	—
50 Garhwal	3236	—	—	—	—	—	—
51 Nainital	1771	7	2	—	16	51	—
52 Pithoragarh	1542	—	—	—	—	—	—
53 Tehri Garhwal	1958	3	21	—	—	—	—
54 Uttar Kashi	672	1	—	—	—	—	—
Sub-total	15010	88	23	—	16	76	—

## ANNEXURE 35 (Contd.)

	Percentage of villages affected by natural calamity to total number of villages in the district			Overdues at the primary level	Non-wilful defaults		
	1972-3	1973-4	1974-5	2-3 years	1-2 years	Less than 1 year + (8 x 11) (9 x 12) (10 x 13)	cols.
	(8)	(9)	(10)	(11)	(12)	(13)	(14)
1	100.00	44.5	100.00	7.56	7.43	40.40	51.27
2	—	39.2	25.5	13.63	20.66	27.33	15.07
3	—	100.00	26.9	25.00	18.06	31.03	26.39
4	75.9	1.7	9.2	22.13	30.23	35.92	20.63
							113.36
5	—	—	—	13.24	26.85	62.17	—
6	2.0	0.2	—	1.76	5.56	43.79	0.15
7	48.6	36.1	41.0	19.32	26.30	45.26	37.47
8	1.4	1.1	—	19.43	17.05	24.75	0.46
9	33.2	—	39.5	25.93	28.32	48.39	27.75
10	—	—	—	11.50	4.25	7.43	—
11	23.5	7.6	9.5	21.15	29.67	16.31	8.77
12	100.0	65.3	—	16.69	16.95	62.22	27.76
13	5.9	20.2	—	12.12	16.32	44.02	4.01
							106.37
14	17.0	1.2	7.6	44.00	59.69	—	8.24
15	—	15.1	24.9	12.54	28.68	125.26	35.48
16	16.2	3.3	4.1	17.10	18.50	54.12	5.63
17	65.1	58.2	41.4	6.89	23.93	84.00	53.22
18	14.8	21.6	23.1	54.99	54.74	118.99	47.47
19	—	96.8	22.6	67.75	88.60	215.91	134.53
20	—	8.6	—	3.22	28.07	47.91	2.41
21	82.5	50.0	21.3	33.42	14.87	24.60	40.23
22	8.9	2.6	10.9	82.29	58.15	40.21	13.19
23	21.3	26.7	28.5	19.44	49.98	170.95	66.14
24	41.2	49.5	19.8	11.72	25.98	112.44	39.94
25	100.0	22.9	88.0	9.50	16.00	110.60	110.46
26	73.9	11.4	—	14.30	22.35	60.45	13.12
27	23.0	11.9	18.5	2.79	6.83	44.12	9.62
28	87.1	1.1	17.7	10.70	65.77	147.27	36.46
							616.14

## ANNEXURE 35 (Contd.)

	(8)	(9)	(10)	(11)	(12)	(13)	(14)
29	—	—	—	10.40	42.00	62.53	—
30	—	—	4.0	28.63	21.38	80.40	3.22
31	—	64.2	—	27.01	70.82	78.89	45.43
32	0.6	5.0	—	30.24	48.64	46.31	2.62
33	4.2	—	17.6	27.58	72.35	80.57	15.33
34	—	1.2	15.0	32.40	35.11	195.67	29.63
35	—	—	—	14.91	24.37	38.13	—
36	0.3	100.0	32.2	2.51	25.63	23.86	33.31
37	—	95.1	6.8	4.60	46.96	43.73	47.62
38	—	21.1	5.0	13.14	31.86	20.50	7.74
39	—	3.2	94.6	35.34	52.61	143.29	137.27
40	—	5.0	14.8	54.37	63.01	76.30	14.43
41	—	49.4	2.0	9.48	43.01	154.81	24.25
42	9.2	3.5	—	30.46	34.48	61.84	5.29
43	—	0.4	—	24.72	19.56	16.14	0.08
44	—	—	—	7.46	15.08	24.93	—
45	1.8	11.6	—	72.00	67.25	78.37	9.09
46	100.0	12.4	100.0	15.17	19.38	51.72	69.29
							444.60
47	—	—	—	12.41	17.16	11.01	—
48	—	—	—	1.14	2.37	7.95	—
49	—	—	—	7.05	14.56	9.38	—
50	—	—	—	3.78	5.57	6.09	—
51	0.1	—	0.9	5.95	9.54	26.86	0.25
52	—	—	—	3.24	6.62	5.29	—
53	1.1	—	—	7.40	1.75	3.60	0.08
54	—	—	—	0.45	5.00	5.22	—
							0.33
							1280.80

## ANNEXURE 36

*Extract from the summary of recommendations of the Study Team  
on Overdues of Co-operative Credit Institutions*

45 All defaulters with cultivated holdings in villages affected by natural calamities in one or more years during the three-year period 1970-71 to 1972-3 should be eligible for relief under the rehabilitation programme. The category of non-wilful defaulters should, however, exclude all those:

(a) who had deceived the society by showing false land holdings or crops for securing more credit than they would be otherwise eligible for;

(b) who had obtained loans for sugarcane and, banana cultivation orchard or plantation crops in conjunction with other crops, provided the income from the former was 75 per cent of their total agricultural income; and

(c) who were big farmers i.e., whose gross agricultural income was above Rs 5,000 per annum.

46 The nature and extent of relief that may be extended to the non-wilful defaulters (excluding the big farmers) is indicated below:

*(i) Default under one loan*

The loan under default may be converted into a three-year rehabilitation loan.

*(ii) Default under two loans*

A six-year rehabilitation loan may be granted which will accommodate the aggregate burden in respect of two loans within the borrowers' repaying capacity.

*(iii) Default under three loans*

Fifty per cent of the short-term (conversion) loan (the earliest loan in point of time) may be written off by making use of the Agricultural Credit Relief Fund and the aggregate of the balance of this loan and the remaining two loans may be re-scheduled as a seven-year loan.

*(iv) Default under four loans*

The first short-term (conversion) loan and 50 per cent of the second short-term (conversion) loan may be written off by utilizing assistance from the Relief Fund. The balance of overdue loans may be re-scheduled as a seven-year loan.

*ANNEXURE 36 (Contd.)*

47 Such of the defaulters who are eligible for inclusion under the rehabilitation programme but have enjoyed the benefit of normal year or years during the three years preceding 1973-4 should be required to repay a part of the principal amount and then only the balance of overdue loans could be converted as under:

(i) If the year 1973-4 is a normal year, the defaulter should pay at least 25 per cent of the principal amount under default or the balance of repaying capacity available (after providing for interest) whichever is less, provided one or two of the preceding three years (1970-71 to 1972-3) were normal years.

(ii) If the year 1973-4, however, is a year of calamity, the defaulter may not be asked to repay any part of the overdue loan.

## ANNEXURE 37

*District-wise position of award cases/execution petitions pending  
as on 30 June 1976*

Rs Lakhs

District	Suit filed cases pending as on 30-6-76		Awards sent for execu- tion during 1975-6	
	No.	Amount	No.	Amount
(1)	(2a)	(2b)	(3a)	(3b)
<b>BR</b>				
1 Banda	2657	19.92	1702	18.67
2 Hamirpur	10276	24.24	11949	86.35
3 Jalaun	7493	29.14	2239	12.87
4 Jhansi	5093	17.16	983	6.24
Sub-total	25519	90.46	16873	74.63
<b>CR</b>				
5 Barabanki	1706	6.92	830	4.50
6 Fatehpur	34808	146.11	2145	17.24
7 Hardoi	32754	45.58	6699	31.84
8 Kanpur	4338	57.96	2246	10.05
9 Kheri	12102	33.23	6122	32.38
10 Lucknow	4127	10.31	1304	7.08
11 Rae Bareli	7022	31.17	2432	14.21
12 Sitapur	4604	14.84	2336	23.22
13 Unnao	5020	20.88	1106	8.31
Sub-total	106481	367.00	25220	148.83
<b>ER</b>				
14 Allahabad	12653	38.24	36600	51.60
15 Azamgarh	897	2.01	1649	6.63
16 Bahraich	438	1.61	3249	5.05
17 Ballia	1085	3.75	2058	49.87
18 Basti	28332	52.17	9127	56.65
19 Deoria	4145	45.74	11788	55.29
20 Faizabad	N.A.	N.A.	1057	3.44
21 Ghazipur	1280	24.47	1563	23.62
22 Gonda	1061	2.12	6996	78.59
23 Gorakhpur	1804	12.96	69819	202.81
24 Jaunpur	3295	8.89	1344	10.27
25 Mirzapur	19670	6.77	10297	59.57
26 Pratapgarh	—	—	—	—
27 Sultanpur	256	0.92	6718	38.62

## ANNEXURE 37 (Contd.)

	(1)	(2a)	(2b)	(3a)	(3b)
28	Varanasi	6002	112.00	13598	116.53
	Sub-total	80918	311.65	175863	758.54
<b>WR</b>					
29	Agra	4989	92.13	4037	34.98
30	Aligarh	7660	39.19	5635	36.97
31	Bareilly	17595	106.06	2345	17.65
32	Bijnor	N.A.	N.A.	N.A.	N.A.
33	Budaun	—	—	205	0.75
34	Bulandshahr	9799	48.99	2300	14.57
35	Etah	N.A.	N.A.	N.A.	9.15
36	Etawah	10100	32.00	4687	15.61
37	Farrukhabad	15235	90.39	7206	29.16
38	Mainpuri	1501	7.65	10919	49.41
39	Mathura	6008	46.20	6838	67.15
40	Meerut	N.A.	N.A.	N.A.	N.A.
41	Moradabad	—	—	10601	10.00
42	Muzaffarnagar	N.A.	N.A.	N.A.	N.A.
43	Pilibhit	—	—	1154	6.35
44	Rampur	2142	4.66	1090	6.63
45	Saharanpur	9221	63.81	2632	26.68
46	Shahjahanpur	484	5.04	2987	18.85
	Sub-total	84734	536.12	62636	343.91
<b>HR</b>					
47	Almora	1382	5.56	1818	11.96
48	Chamoli	412	1.88	318	1.53
49	Dehra Dun	—	—	1121	7.40
50	Garhwal	43	2.19	16	0.19
51	Nainital	1473	7.54	514	5.25
52	Pithoragarh	555	3.85	584	8.11
53	Tehri Garhwal	—	—	275	2.57
54	Uttar Kashi	348	0.69	404	2.96
	Sub-total	4213	21.71	5050	39.97
	<b>Total</b>	<b>301865</b>	<b>1326.94</b>	<b>285642</b>	<b>1365.88</b>



**REFERENCES**  
**&**  
**ABBREVIATIONS**

## REFERENCES

- Agricultural Credit Board (ACB)  
 All-India Rural Credit Review Committee 1969  
 All-India Rural Credit Survey Committee 1954  
 Committee on Integration of Co-operative Credit Institutions  
 Expert Committee on Consumption Credit  
 Expert Group on Institutional Arrangements for Agriculture  
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 Study Team on Agricultural Credit Institutions in Bihar 1977 (Bihar Study Team)  
 Study Team on Agricultural Credit Institutions in Rajasthan 1975 (Rajasthan Study Team)  
 Study Team on Agricultural Credit Institutions in Tribal Development Project Areas 1973 (Bawa Study Team)  
 Study Team on Overdues of Co-operative Credit Institutions 1974 (Overdues Study Team)  
 Study Team on Two-tier Co-operative Credit Structure in Kerala 1973 (Kerala Study Team)  
 Working Group on Co-operation for the Fifth Five Year Plan (Fifth Plan Working Group)

## ABBREVIATIONS

ACB	Agricultural Credit Board of the RBI
ACD	Agricultural Credit Department of the RBI
ADCOs	Assistant Development Officers (Co-operation)
AI	Artificial Insemination
AIRCRC	All-India Rural Credit Review Committee
ARCS	Assistant Registrar of Co-operative Societies
ARDC	Agricultural Refinance and Development Corporation
BR	Bundelkhand Region
ccb	Central Co-operative Bank
cfa	Central Financing Agency
CR	Central Region
DAC	District Administrative Committee
DBOD	Department of Banking Operations & Development of the RBI

DCB	District Co-operative Bank
DCDB	District Co-operative Development Bank
DPAP	Drought Prone Areas Programme
ER	Eastern Region
flcs	Forest Labour Contract Society
fss	Farmers Service Society
ggs	Ganna Gram Sevak
GM	General Manager
GOI	Government of India
GOUP	Government of Uttar Pradesh
HLL	Hindustan Lever Ltd.
HR	Hilly Region
IDA	International Development Association
LSS	Large sized Society
LTO Fund	RBI's Long-Term Operation Fund
MD	Managing Director
MFAL	Marginal Farmers and Agricultural Labourers
NCDC	National Co-operative Development Corporation
NODC	Non-overdue Cover
pacs	Primary Agricultural Credit Societies
PCDF	Provincial Co-operative Dairy Federation
PCF	Provincial Co-operative Federaation
PCU	Provincial Co-operative Union
PLDB	Primary Land Development Bank
RAC	Regional Administrative Committee
RBI	Reserve Bank of India
RCS	Registrar of Co-operative Societies
RRB	Regional Rural Bank
SCA	State Cadre Authority
SDM	Sub-Divisional Magistrate
SFDA	Small Farmers Development Agency
sldb	State Land Development Bank
UP	Uttar Pradesh
UPHDC	Uttar Pradesh Hill Development Corporation
VLW	Village Level Workers (Centre)
WR	Western Region

## ERRATA

	<i>Page</i>	<i>Instead of</i>	<i>Read as</i>
	200		
(Table 7—Lakhimpur- Kheri)		0.09	9.09