

Official Papers

Being Pushed from Behind

Statistical Statements Relating to the Co-operative Movement in India for the year 1951-92. Agricultural Credit Department, Reserve Bank of India, Bombay. Pp. 101. Price Rs 3.

A LONG with the *Statistical Statement*, the Agricultural Credit Department has been issuing for some years now a *Review of the Co-operative Movement in India* which between them provide an authentic though somewhat arid account of progress. The *Statistical Statements*, however, are issued very late; the latest is for the year 1951-52 and though it is dated June 1954, it was not until a couple of months later that it was made available to the public. Its stable mate, the *Review of the Co-operative Movement in India*, does not make its public appearance until much later; the latest issue of this publication now available is for the year 1948-50. However, the *Statistical Statement* is fairly exhaustive and the prefatory note is a model of condensation which brings out carefully the trends of development in the several sectors of co-operative activities, supplying to the non-technical students of the subject most of the things that they would want to know about the progress of co-operation. Appended to the report is a useful summary of the data for earlier years to enable a comparative Study of the progress of the movement ever since its inception.

While it is conceded that co-operation cannot develop without active official support in the initial stages, it has been the hope, not only of the official sponsors of the movement, but also of every true born co-operator that eventually the movement should be able to move on its own steam and do away, more and more, with Government assistance, either in the form of supervision, inspection or management, or in the form of financial aid. One will have to wait for the Report for a final judgment about the ability of the movement to do with less of sponsoring or tutelage, for welcome signs, if any, or even of first feeble indications, of its freeing itself from the apron-strings of the Registrar of Cooperative Societies. One should not expect any clues on this point from the statistical tables. But if one were to look to the tables uncritically, at the trend of deposits, for instance, and of the working capital of all types of societies, one may jump to the opposite conclusion and read in them an increasing

dependence of the movement on the Government, at least in the matter of providing funds. The progress of co-operation has been slow. Nevertheless, the total membership of primary societies has more than doubled in the last 10 years, from an average of 50.76 lakhs for the five years to 1939-40 to that of 107.31 lakhs in the five years to 1949-50. From the latter figure, the membership jumped sharply to 137.15 lakhs in 1950-51. In 1951-52, the total membership of primary societies was only nominally higher at 137.91 lakhs.

After independence, the awareness of the deficiencies of the movement has been heightened. There is a keener recognition that something more has to be done and this has expressed itself in the augmentation of financial aid to cooperative societies which is substantial, compared

to the paltry amount of such aid in earlier years, but still woefully inadequate, compared to the total requirements. Thus the loans advanced by primary societies during the year increased from an average of Rs 21,10 lakhs in the five years to 1939-40 to an average of Rs 26,94 lakhs in the five years to 1944-45. But the average for the next five years doubled to Rs 52,14 lakhs, from which the figure jumped to Rs 86,56 lakhs in 1950-51 and Rs 97,94 lakhs in 1951-52. The lending capacity of the co-operative societies had been greatly augmented by increased funds made available by the Reserve Bank, State Banks, apex and central co-operative banks.

The internal resources of the co-operative societies, viz, their deposits and reserves, however, showed very little change. If therefore the ratio of deposits and reserves to the total

Progress of Co-operative Credit Banks

(Rs in crores)

	Apex Banks		Central Banks		Primary Agricultural Credit Societies	
	1950-51	1951-52	1950-51	1951-52	1950-51	1951-52
Number	15	16	505	509	115,462	117,010
Membership	20,932	23,272	207,074	231,318	5,153,907	5,424,321
Loans advanced during the year	42.1	55.3	82.8	105.6	22.9	24.6
Loans repaid during the year	38.2	53.3	77.2	101.8	18.3	19.3
Loans outstanding at the end of the year	17.9	20.0	34.1	35.9	29.1	34.6
Investments	11.4	11.3	14.1	16.8	1.2	1.13
Owned funds	3.8	4.2	8.8	9.8	17.3	19.2
Deposits	22.1	21.2	37.8	38.2	4.5	4.42
Other borrowings	8.5	11.3	9.7	12.1	19.2	23.13
Working capital	34.4	36.7	56.3	60.1	41.0	46.8
Ratio of Deposits to Working Capital	64.3	57.8	67.1	63.7	10.9	9.7

Transactions of the Primary Societies

(Amount in crores of rupees)

	1948-49	1949-50	1950-51	1951-52
Loans advanced by primary societies during the year	60.06	70.56	86.57	97.95
Loans repaid during the year	50.56	59.45	72.66	84.57
Loans outstanding at the end of the year	61.84	71.37	83.86	97.29
Loans overdue at the end of the year	7.80	8.91	9.78	13.10

working capital is taken as a criterion of progress and of the dependence of the movement on adventitious Government aid, the trend indicated by the statistical statements would be pronounced as unhealthy. One could even go farther and conclude that there had recently been a growing tendency on the part of the co-operative credit movement in India to fall back increasingly upon official feeding, to the neglect of its essential virtue of promoting thrift, among its followers.

While the total working capital of all types of societies during the year recorded an increase of 11.1 per cent, the percentage share of deposits declined to 38.3 per cent from 40.8 per cent of the previous year. This decline was noticeable in all types of co-operative credit institutions. On the other hand total advances of primary societies showed a rise of 13.1 per cent over previous year's made possible by increased funds available from Reserve Bank. Govern-

ments and apex and Central Co-operative Banks.

A more disturbing feature, however, is the increasing ratio of loans overdue to loans outstanding. This trend continued during the year

Though the agricultural non-credit sector of the movement showed a greater progress than others in 1950-51, not only the credit side of the movement continued to be predominant, it may be suspected that the consumer societies which swelled the numbers and resources of non-agricultural non-credit societies may prove an adventitious feature of the movement since shortages and rationing gave a temporary fillip to particular types of these societies. When the tide withdraws, many of them may be left high and dry.

The dependence on central financing agencies has led to another, though by no means inevitable, unhealthy feature, namely, high cost of credit. After all, the progress of

THE ECONOMIC WEEKLY co-operation has to be apart from its many other benefits, also by the cost of its services. The failure of co-operatives to raise sufficient deposits and increase their reserves, and the consequent dependence on central agencies and Government funds to be distributed through a lone chain of intermediaries led to higher rates of interest for the ultimate borrower. In some cases the lending rates were as high as 12½ or even 15 per cent as in UP and West Bengal. This frustrates one of the main purposes of the movement, it is not possible to accept at its face value the contention of the co-operative departments that the cost of loans cannot be reduced substantially or that the 'spread' between borrowing and lending rates, unduly wide in all conscience, cannot be narrowed down. After all when the Reserve Bank is willing to lend at 1½ per cent, it should be the endeavour of the co-operative banks to pass on the benefits of this cheap credit to those for whom they are intended. A determined effort should be made to shorten the chain of intermediaries or to cut down handling costs to secure this desirable result. After all, the elimination of middlemen has always been one of the professed aims and major objectives of the co-operative movement.

An important recent development is that of long term credit though there is a great deal of unevenness among the different States in the development of long form credit co-operatives. Madras continues to lead in this respect. The setting up of a new Central Land Mortgage Bank in Saurashtra to advance loans to cultivators in order to enable them to acquire occupancy rights in land by paying compensation to the *Girasdars* was an interesting innovation. Lending by the new banks Mas mainly responsible for pushing up the total amount advanced by Central Land Mortgage Banks to Rs 2.51 crores from Rs 1.33 crores in the previous year.

As against the declining importance of deposits in the agricultural co-operative credit structure, a degree of success was achieved by non-agricultural credit societies to tap deposits which formed 61.5 per cent of their total working capital.

New State Co-operative Banks have recently been set up in most of the Part B States with financial assistance from their Governments by way of contribution to their share capital. Progress has also been noted in the re-organisation of apex banks as recommended by the Reserve Bank.

THE HINDUSTAN CONSTRUCTION CO. LTD.



- *Drilling Contractors*
- *Diamond and Shot Core Borings*
- *Dry Sample Borings*
- *Foundation Testing for Bridges, Dams and all Heavy Structures*
- *Also Undertake Guniting-Bored Piles Cementation, Etc.*



Construction House, Ballard Estate
BOMBAY

Telegrams
HINCON

Phone 1
26036