

## **SUCCESSFUL COOPERATIVE SYSTEMS IN GUJARAT, MAHARASHTRA, PUNJAB**

### **Co-operative credit System in Maharashtra**

Maharashtra has all along been a leader in cooperative movement. Cooperative has become a way of life for people in the State. Almost 50% of the State's population is connected to 1.78 lakh cooperative societies, covering different aspects of people's day to day life. We have about 20,000 primary agriculture credit cooperative societies and 31 district central cooperative banks. As against six villages covered by the society in the country, we in Maharashtra have one society for two villages. More than 10 million farmers are members of the primary societies. The cooperative credit system in the State accounts for 65% of the credit disbursements for agriculture as compared to 35% at national level. That is why, the State needs to ensure that the cooperative credit institutions remain vibrant and work in a professional and competitive environment.

The cooperative credit institutions in districts, having good access to irrigation have done extremely well due to greater degree of crop diversification. The dams and the societies in consistently drought prone and rain-fed districts, have not been able to stand the impact of continued default and thus, over a period of time, become extremely weak. Revitalisation of these institutions is a must to ensure greater flow of capital to agriculture in these districts.

The cooperative movement has contributed a great deal in the development of rural economy in the State. While we lead the country in terms of financial institutes in the cooperative sector, there are many other success stories like sugar industry, textiles, poultry, milk, agro-processing and marketing etc. What else can be the best way to show it, than to stand up to the challenge of competition?

Over the time, there has been some slackness in the working of some of these societies, but I must say that these societies have contributed immensely in the growth of rural areas in the State. The slackness in the working of many of these societies can be attributed to many factors, but lack of appropriate incentive system is one of the key reasons for it. The recommendations of Task Force will help in creating environment for such incentive system to operate. The cooperative credit structure in Maharashtra will grow at much faster rate once faced with competitive forces and will help serve our population better.

The suggestions made by the Task Force relating to financial, administrative, legal and technical aspects seem to be well through out. When we talk of competition, the independence of the concerned institution also needs to be re-visited and they are required to be given environment for operating freely and in democratic manner, as demanded by the competitive atmosphere. Recommendation to provide wider choice on borrowings and investing to cooperatives and in turn to borrowers is going to galvanise the rural credit system. Small borrowers will now operate in buyers' market, thus providing them with more bargaining power.

### **Agricultural Credit**

The co-operative agricultural credit structure in Maharashtra is a three tier structure.

- Short & Medium Term Credit Long Term Credit
- Central Co-op Banks at district level
- Primary Agricultural Credit Societies at Village Level
- Long term credit Mascard Bank
- Branches at district level
- Sub Branches at Taluka level

(MASCARD Bank is Maharashtra State Co-operative Agriculture and Rural Development Bank )

Thus the agricultural credit reached the farmers right upto their doorstep through the Primary Agricultural Credit Societies (PACS). The Short Term loan is made available for a period of 12 to 15 months for meeting the cost of expenditure during the agricultural season. Medium Term loan is given for a period of upto five years for the purchase of bullocks, carts, repairs to old wells etc..The Long Term Loans are granted for period exceeding five years mainly for sinking of wells, permanent fencing, purchase of land, purchase of heavy agricultural machinery like tractors etc as well as for lift irrigation schemes.

The life of the farmer is full of problems- small holdings, indebtedness, lack of irrigation facilities leading to low productivity. He is traditionally used to dealing with one single agency for satisfaction of all his credit requirements. Thus the local trader/money lender not only lends him money for his seeds, fertilisers, insecticides etc. but at times also provides these necessities to him. The trader/moneylender also provides him credit for his household needs. And when the crops are harvested the trader also markets the crops.

In their initial days the rural credit societies could not satisfy the needs of the farmers. They did not have enough funds or facilities to offer to the farmers. Thus the farmers continued to rely on the money lenders and suffer. Thus came the advent of multipurpose co-operatives. However since the societies at the village level were small in size, they could not

provide adequate services to their members. The Government therefore gave financial assistance to these societies and thus increased their borrowing capacity. Crop Loan System has also been introduced. The government has introduced various schemes to improve the economic conditions at the rural level

1. Subsidy to Agricultural Credit Stabilisation fund
2. Contribution to Risk Fund
3. Share Capital Contribution
4. Loans to Co-operative Credit Societies for the conversion of Loans from Short Term to Medium Term.
5. Crop Production Incentive to agriculturists.

### **District Central Co-operative Banks**

There are 30 such Banks in Maharashtra whose primary object is to provide for the credit requirements of the Primary Credit societies. The first such secondary level co-operative was registered in Mumbai in 1911 under the Government of India Act, 1904. Since then these Central Banks have laid the firm financial infrastructure for the co-operative movement in Maharashtra.

The progress of the District Central Co-operative Banks can be seen from the following figures :

**(Rupees in Millions)**

	<b>1961</b>	<b>1991</b>	<b>1995</b>	<b>2002</b>
No. of Banks	35	30	30	30
Branches	..	3147	3516	3804
Members	57,000	84,000	94,000	119000
Share Capital	65.3	1889.6	2963.7	7863.2
Deposits	264.7	31994.0	63987.4	195734.7
Working Capital	609.3	48349.2	89069.7	274986.5
Loan Outstanding	436.1	30783.6	52208.8	155756.3
Profit	5.0	171.4	363.3	1604.

*\*\* The fall in figure of banks in 1991 & 1995 is due to the reorganisation of the State I in 1961, which led to the reduction of the number Districts.*

### **The State Co-operative Bank**

The State Co-operative Bank, which is at the top of the credit structure is also called as the Apex bank. Its functions are to co-ordinate and to guide the working of the Central Banks and

to arrange re-finance for them. It thus acts like a supervisory body at the top and arranges to spread the co-operative movement.

The progress made by the Apex Bank is as under

**(Rupees in Millions)**

	<b>1961</b>	<b>1991</b>	<b>1995</b>	<b>2002</b>
No. of Branches	20	43	45	46
Members	11,000	26,000	29,000	40,000
Share Capital	32.6	281.6	455.5	1,869.1
Deposits	215.3	20,936.2	36,085.2	101,974.7
Loans Outstanding	374.2	21,731.4	31,189.4	88,303
Profit	2	68.6	101.5	106.8

### **The Maharashtra State Co-operative Agricultural and Rural Development Bank (MASCARD)**

The MASCARD Bank floats debentures for making provision of long term loans to the member Banks. These debentures are purchased mainly by the State Government , however it is necessary for it to create a strong asset base so that it can secure the loans raised by it. The progress made by the bank is as follows

**(Rupees in Millions)**

	<b>1961</b>	<b>1991</b>	<b>1995</b>	<b>2002</b>
Members	8,000	1,021,000	1,138,000	828,000
Share Capital	5.1	543.6	780.5	449.5
Working Capital	74.6	8371.0	11631.4	12263
Loans Advanced	21.5	1243.8	1366.2	Nil
Debentures Issued	35.0	1022.6	1458.0	Nil
Debentures Outstanding	53.6	5510.7	8495.0	9382.1

The Government vide order No.LDB-1099/C.N.37/7-C, dated 29.12.1999 has bifurcated the Maharashtra State Cooperative Agricultural and Rural Development Bank into 29 District Agricultural Cooperative and Multipurpose Rural Development Bank. There will be apex bank of

these district banks called as Maharashtra State Cooperative Agricultural and Multipurpose Rural Development bank.

### **Co-operative credit System in Punjab**

#### **Punjab State Co-operative bank Ltd.,**

The Punjab State Cooperative Bank Chandigarh was established on 31st August 1949 at Shimla vide Registration No.720 as a principal financing institution of the cooperative movement in the state. It has 19 branches and 3 extension counters in the city of Chandigarh. 20 Central Cooperative Banks having 788 branches and 29 Extension Counters in the State of Punjab are affiliated with the bank. In the Cooperative banking structure the position of the Punjab State Coop Bank is extremely important as the whole short term credit system revolves around it. This bank ensures that its member central cooperative banks follow sound banking practices and observe strict financial discipline. The Central Cooperative Banks are financing the farmers through PACS at the village level. There is no arena of life where this premier institution has not played its part. From a farmer, artisan to traders/businessman, everybody has been covered in the fold of this institution. The green, white and sweet revolutions in the state of Punjab are some of the major achievements in which this institution has played a vital role.

The Punjab State Cooperative Bank has already been awarded "BEST PERFORMANCE AWARD" from NABARD and NAFSCOB. For the year 2003-04, Punjab Cooperative Bank has been selected for NABARD's "Best Performance Award" which is based on performance of all the SCBs in the country. Similarly our Jalandhar DCCB has also been selected for NABARD's "Best Performance Award" out of all the DCCBs in the country for the year 2003-04.

#### **Objectives**

- To serve as a Balancing Centre for Cooperative Societies in the State for Cooperative Societies in the State of Punjab registered under the Punjab Cooperative Societies Act, 1961 for the time being in force.
- To promote the economic interest of the member banks and cooperative societies in the state in accordance with cooperative principles and to facilitate the development and funding of any cooperative society registered under the said act.
- To carry on banking and credit business.

#### **The Primary Agricultural Credit/Service Societies**

The agricultural co-operative credit structure in the Punjab State is broadly divided into two sectors, one dealing with the short-terms and medium-terms finance and the other with the long-term credit. In the State, the short-term and medium-term credit structure is based on a three-tier system, i.e., the Apex Co-operative Bank at the State level, the Central Co-Cooperative Bank at the district/tehsil level and the Primary Agricultural Credit Societies at the village level. The major objectives of the primary agricultural credit service societies are to supply agricultural credit to meet the requirements of funds for agricultural production, the distribution of essential consumer commodities, the provision of storage and marketing facilities and for light agricultural implements and machinery.

Owing to an increasing emphasis on the development of land and agriculture, long-term co-operative credit has assumed great importance. There is the Punjab State Land Mortgage Bank at the Apex and the Punjab Mortgage Bank at the district/tehsil level. These Primary Land Mortgage Banks advance loans to the farmers for long term purposes.

At the operational level, there exists a primary co-operative to extend credit to the farmer. This unit epitomizes the vitality and service potential of the Co-operative Movement in India. The organization of these societies dates back to 1904, when the first Co-operative Societies Act was passed. These societies were started with the object of providing cheap credit to the agriculturists in order to free them from the clutches of the rapacious money-lenders. the agricultural primary credit society is the foundation-stone on which the whole co-operative edifice is built. Even now these societies dominate the co-operative picture.

The first Agricultural Credit Society in the Ferozpur District was registered on 4 October 1911, at the Village of Khalchi Kadim in the Ferozpur Tehsil. Originally, the movement was confined to the credit societies only and, thus, credit dominated till the partition (1947). After the partition, the Co-operative Movement began to spread to other field, viz labour, construction and farming.