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Since the turn of the twentieth century, there has been an effort in India to replace the usurious moneylender with institutionalized forms of rural credit. This attempt became more critical with the coming of the Green Revolution (1960's) and the associated increase in demand for rural credit.

Primarily the Government of India has relied on the

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Cooperative Movement in its effort to institutionalize the supply of rural credit. This thesis examines some of the major problems and obstacles encountered as well as corrective measures taken with respect to the cooperative movement.

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INSTITUTIONALIZATION OF RURAL CREDIT IN INDIA:

A FOCUS ON THE COOPERATIVE CREDIT MOVEMENT

APPROVED:

In Memory

of My Dad

Willard T. Rankin

INSTITUTIONALIZATION OF RURAL CREDIT IN INDIA:

A FOCUS ON THE COOPERATIVE CREDIT MOVEMENT

by

RICHARD KENNETH RANKIN, B.A., M.B.A.

THESIS

Presented to the Faculty of the Graduate School of

The University of Texas at Austin

in Partial Fulfillment

of the Requirements

for the Degree of

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THE UNIVERSITY OF TEXAS AT AUSTIN

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R. K. R.

The University of Texas at Austin
April 4, 1980

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The well being of a people is like a tree; agriculture is its root, manufacture and commerce are its branches and its life; if root is injured, the leaves fall, the branches break away and the tree dies.

Chinese Philosopher

CHAPTER I

INTRODUCTION

A Portrait of India

India is a large and extremely complex nation. It is large in terms of land area as well as population. India's overall land area of 1,261,811 square miles makes it the seventh largest country in the world. Its 1979 population of 650 million establishes India as the second most populous country after the People's Republic of China.

Many factors contribute to India's complexity. The 1961 census enumerated a total of 1,652 mother-tongues, 14 major languages,[1] and 6 major religions. In addition, India possesses a tremendous diversity of climate and physical conditions. "To add to this already complex situation, there is also the institution of caste which

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[1]For a comprehensive analysis of linguistic diversity and associated problems in India, see Baldev Raj Nayar, National Communication and Language Policy in India (New York: Frederick A. Praeger, 1969).

is unique not only to the Hindus but to Indians generally, for in India caste is as much a feature of the Hindu society as of the Muslim, the Christian, the Sikh, the Jain, and the Jew."[2] Although the caste system is no longer legally recognized by the Government of India and is therefore not mentioned in government publications, between 1,000 and 2,000 subcastes of the four classical Hindu castes have been identified by various authors. In addition, most authors agree that even if it may be on the wane in the major cities, the caste system is fully functional in the villages.

Contributing further to the complexity of India are the results of the economic development strategy pursued since independence in 1947. A great emphasis on large industry with relative neglect of agriculture has been the dominant characteristic of this strategy. The result, not unlike that in other Third World countries, is a dual economy obvious to the most casual observer. Existing adjacent to one another are modern capital intensive/labor saving industrial plants (steel for example)

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[2]S. N. Chopra, India: An Area Study (New Delhi: Vikas Publishing House PVT LTD, 1977), p. 27.

and ancient methods of farming (the persistence of the wooden plow). India has the tenth largest gross national product in the world and more scientists, researchers and technologists than any other country except the Soviet Union and the United States.[3] Yet on the other hand, "approximately 46 percent of the Indian population (48 percent in rural areas, 41 percent in urban) lived below the poverty line in 1977-78."[4]

Because of her size and complexity, broad and sweeping statements about India's socioeconomic conditions are seldom appropriate. The old adage that exceptions exist for every rule holds true for general statements about India. Socioeconomic conditions vary widely from state to state and even within states. It is, therefore, not surprising to find many statements in the literature on India that appear to be contradictory.

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[3]Government of India, India: A Nation on the March (Washington, D.C.: The Embassy of India, 1979), pp. 1-3.

[4]This poverty line was calculated on the basis of recommended nutritional requirements of 2,400 calories per day/per person for rural areas and 2,100 calories per day for urban centers. R. P. Coe, "The Problem of Poverty in India," Department of State Airgram, To: Department of State, Washington, D.C., From: American Embassy, New Delhi, June 1979, p. 3.

The problem of diversity notwithstanding, an all-India approach is taken in this paper. The primary aim of the paper is one of problem identification. When problems are discussed no attempt is made to specify exact locations where they do and do not prevail. The only claim made here is that the problems discussed exist to such an extent that they merit the attention of concerned students of India. When available, data on specific states will be presented.

Importance of the Agriculture/Rural Sector

The general focus of attention in this paper is on the agricultural/rural sector of India. In terms of economic development, the agricultural/rural sector is important because of four main reasons.

First, the size of the agricultural sector makes it important. Agriculture accounts for between 45 and 50 percent of India's gross national product, and 70 percent of India's work force is employed in agriculture. Comments John W. Mellor, "It is the sheer massiveness of India's agricultural sector which dictates the large quantity of resources needed for its development and the substantial results possible from that development."[5]

Secondly, agriculture is important from the standpoint that India is dependent on the agricultural sector for food, raw materials, and as a demand outlet for industrial output. As Charanjit Chanana puts it, "Not only does 70 percent of its population depend on agriculture directly, most of the country's important industries like cotton textiles, jute, tea, tobacco, etc. are agro-based, and they depend for their raw materials on agriculture."[6]

Thirdly, the agricultural/rural sector is in need of attention because the worst poverty, in terms of numbers of people affected, exists there. Economic theorists such as Ragnar Nurkse[7] espouse the idea that a

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[5]John W. Mellor, The New Economics of Growth--A Strategy for India and the Developing World (Ithaca, N.Y.: Cornell University Press, 1976), p. 22.

[6]Charanjit Chanana, "Agricultural Finance in India--Rural Commercial Banks," Agricultural Finance in India, ed. Charanjit Chanana (New Delhi: Marketing and Economic Research Bureau, 1969), p. 5.

[7]Ragnar Nurkse, Problems of Capital Formation in Underdeveloped Countries (Oxford: Oxford University Press, 1967).

large army of unemployed and underemployed people exists in the agricultural/rural sector. Nurkse's theory suggests these people can be moved to the urban industrial centers without adversely affecting agricultural production. The problem with this concept as applied to India is that the urban industrial centers of India are already overflowing with unemployed people. As several authors have observed, Indians have migrated to the cities not because opportunities in the cities are so so good, but because life in the rural areas is so intolerable.[8]

Finally, the relative neglect on the part of the Government of India of the agricultural/rural sector in favor of rapid industrialization schemes during the period encompassed by the first three five-year plans (1951-1966) resulted in the dual economy which now exists. India has made significant progress industrially and must today be considered an industrial power; however, the numerous people living below the poverty line in rural

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[8]See for example, Gunnar Myrdal, Asian Drama, vols. 1-3 (New York: Twentieth Century Fund, 1968), p. 2061 and Peter Dorner, Land Reform and Economic Development (Middlesex, England: Penguin Press, 1972), p. 97.

areas and those forced to migrate to urban slums have benefited little directly from such economic growth as has been achieved.

In summary, there is more possibility for increasing production, more opportunity to help the economically repressed masses of people and a higher probability of reducing income inequalities by focusing attention on the agricultural/rural sector of India. Although his motive was to increase capital formation for rapid industrialization, even Ragnar Nurkse recognized the importance of the agricultural sector. Nurkse suggested that, "Since food absorbs the greater part of a poor people's income and since consequently agriculture absorbs the bulk of a poor country's labour force, a given percentage increase in productivity here will have a far greater effect . . . than a similar percentage improvement in say, manufacturing or the service industries."[9] Similarly, Daroga Singh and S. K. Raheja of the Institute of Agricultural Research Statistics, New Delhi, assert, "The

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[9]Nurkse, Problems of Capital Formation in Underdeveloped Countries, p. 52.

economic progress of the country will . . . be governed considerably by the progress and growth of agriculture."[10]

The Present Thesis

Many variables belong in the Indian rural development equation. Proliferation of public education, mass media, improved technology, capital formation, and agrarian reform, to name a few, are certainly excellent candidates for such an equation. It is not the intent of this thesis to evaluate the importance of development variables or to determine whether one is more important than another. Rather, the intent of this thesis is to investigate the role of credit in agricultural/rural development in India. An attempt is made to answer the following central questions: What are the credit needs of cultivators? How have these needs changed in view of modernization? What are the sources of rural credit? What problems have been encountered in attempting to

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[10]Daroga Singh and S. K. Raheja, "Indian Agriculture and Requirements of Credit," Agricultural Credit in India--An Appraisal, ed. J. Kodesia (New Delhi: World Agriculture Fair Memorial Farmers Welfare Trust Society, 1974), p. 161.

supply rural credit in sufficient quantity and at reasonable rates of interest? What efforts have been made to solve these problems?

The time period covered by this thesis is August 17, 1947, the date of Indian Independence, through 1979, with some appropriate historical digressions. As this story of rural credit in India develops, it will become readily apparent that it is really one about the institutionalization of rural credit. For prior to the period specified, the noninstitutional/unorganized sector (consisting primarily of professional moneylenders charging exhorbitant interest rates) accounted for more than 95 percent of the credit supplied to the rural sector. "In a sense," comments B. Venkatappiah, "the history of agricultural credit in India is the history of efforts to institutionalize it." He further adds, "Both the endeavors and transition remain incomplete."[11]

Although this thesis is concerned with rural credit, it will at times embrace related issues. In the

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[11]B. Venkatappiah, "Rural Credit," Financial Institutions of India, ed. Vadilal Dagli (Bombay: Vora and Company Publishers PVT LTD, 1976), p. 75.

words of the Committee of Direction, All-India Rural Credit Survey,

> Any considered thesis concerning rural credit in India cannot help being in essence, though not in detailed exposition, a part of a much larger thesis concerning the economic good of India. This is inevitable because rural credit, seemingly both narrow and technical as a subject of inquiry, is in reality neither of these. In extent, it is as wide as rural society, which means practically as wide as the Indian nation. In content, it embraces all economic activities and purposes as they affect rural society, for credit is only a layer of such activities and has organic purpose only in so far as those activities have an organic purpose. Assuming this larger purpose to have the two-fold aspect of achieving wealth and securing its equitable distribution, a programme of rural credit becomes inseparable, in its underlying concepts, not only from the end which is economic good, but from the means to be employed in the attainment of the end.[12]

This thesis is organized along the lines of the questions set forth above. Chapter II will describe the character of demand for rural credit and indicate how it has changed as a result of the modernization process. The sources of supply of rural credit are described in Chapter III. In Chapter IV the problems encountered in the effort

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[12]Reserve Bank of India, All-India Rural Credit Survey, vol. 2 (Bombay: K. Madhava Das, 1954), p. 529.

to institutionalize rural credit will be examined. Finally in Chapter V, the corrective measures taken to solve the problems are discussed and some concluding remarks about the prospects are presented. The balance of the present chapter is devoted to the importance of rural credit.

"Finance is an essential requirement for every productive activity."[13] Farming is no exception. Because of the high risk associated with agricultural production in India, the availability of credit at the right time and in the right amount can make the difference between the continued operation of a farm and a forced sale. "In the words of Diebold, 'Credit is to agriculture what blood is to a living body. It is not enough to budget for it, to have the funds in the bank, but these funds have to reach the farmer in time and under conditions he can fulfill.'"[14]

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[13]A. N. Agrawal, Indian Economy, 2d ed. (New Delhi: Vikas Publishing House PVT LTD, 1976), p. 288.

[14]P. B. Diebold as quoted by S. Bisaliah, et al., An Analysis of Institutional Financing of Agriculture (Bangalore: University of Agricultural Sciences, 1971), p. 3.

It is true that traditional societies using primitive agricultural techniques in subsistence farming have little need for production credit.[15] In fact, credit may do more harm than good in a traditional environment. John Mellor observes, "In a traditional agriculture, credit is basically repressive, no matter who provides it. Borrowing is done not to increase production, for the land base and the technology provide little scope for that, but in order to maintain production and to meet pressing consumption needs (e.g., when income declines owing to bad weather). It is difficult to repay loans from a stagnant, low income."[16] The principle of circular and cumulative causation[17] operates in a negative direction in the traditional case. In this vein, A. M. Khusro states, "that underdeveloped agriculture is beset with the vicious circle of poverty needs no elaboration. A very low level of output (and hence, of income) leads to low saving; in

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[15]Production credit here means credit for fertilizer, tube wells, pesticides and other inputs associated with modern farming techniques.

[16]Mellor, The New Economics of Growth, pp. 35-36.

[17]Gunnar Myrdal, Rich Lands and Poor (New York: Harper and Brothers Publishers, 1957), Chapter II, pp. 11-22.

turn to low investment and that perpetuates low income. The crucial problem, therefore, is to break through this vicious spiral somewhere and somehow."[18]

Although the date and the extent are subject to debate, most authors agree that such a breakthrough, called the "green revolution," has been achieved on the Indian subcontinent. In abbreviated terms, this transformation of Indian agriculture amounts to the increasing use of high yielding varieties of seeds, tractors, irrigation, pesticides, fertilizers and in general modern inputs. As a result of this transformation, "new records are now being set in Indian food production. From a chronically food-deficit country, importing its food, India has reached a stage where it can meet its food needs."[19]

Unfortunately the progress and growth in agricultural production have been very uneven and in fact, have

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[18]A. M. Khusro, "Banking and Agriculture," Agricultural Finance in India: Role of Commercial Banks, ed. Charanjit Chanana (New Delhi: Marketing and Economic Research Bureau, 1969), p. 17.

[19]Government of India, India: A Nation on the March, p. 11. See also, World Bank, Economic Situation and Prospects of India (Washington, D.C.: World Bank, 1978), p. 1.

favored the already well-to-do farmers. The small, marginal farmers as well as the landless laborers have benefited little directly from the "green revolution." Anil K. Nauriya puts it bluntly, "the richer farmers hogged most of the benefits."[20] The well-to-do farmers have been able to finance investments in improved technology from existing wealth or they have had easy access to credit because of their credit-worthy land holding position. Comments Ghulam Ghouse,

> Poorer farmers have meagre internal resources and are most in need of credit. The proportion of their cash expenditure in adopting new innovations, financed through borrowed funds, is greater compared to well-to-do farmers. At the same time, they have at present much less access to institutional credit. This skewed distribution of credit has contributed to spiralling of income inequalities. Disparities have widened paradoxically where innovations were widely adopted. Studies reveal adoption of innovation is influenced by the risk bearing ability of the borrowers. This ability is in itself influenced by access to credit, as in the case of assured water supply through investment in irrigation. Cost of credit is a material factor influencing borrowings by rural families for adoption of innovations. Accessibility to institutional credit, therefore, is a crucial factor in enabling poorer families to modernize their economic enterprises and thus raise their living standards.[21]

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[20]Anil K. Nauriya, "On the Agrarian Question in India," Monthly Review 30 (September 1978): 38.

[21]Ghulam Ghouse, "Financing the Farmers," Financing Agriculture 8 (April-June 1976): 19.

CHAPTER II

THE CHANGING CHARACTER OF DEMAND FOR RURAL CREDIT

This chapter will explore the credit needs of the farmer in traditional India and examine how these needs have changed as a result of modernization. While Indian agriculture has undergone a transformation in recent years under the name, "green revolution," the modernization process has been uneven to say the least. Many regions have changed little if at all. Modern enclaves exist adjacent to ancient ways and means with the modern enclaves seemingly having no effect on the contiguous traditional regions. Accordingly, when the term traditional is used in this chapter, nothing chronological is necessarily implied. Traditional India with its ancient methods of subsistence farming, nonmonetized and noncommercialized village economic systems and even barter trade still exists.

This chapter is divided into two sections, the first dealing with traditional farming and credit needs and the second with the green revolution and the associated change in the character of the demand for rural credit. The reader should again bear in mind that the time frame is not important in terms of the discussion of traditional India. The important concept is how credit needs have changed for those affected by the green revolution. The green revolution has indeed begun in India, but, as indicated in Chapter IV, it has benefited certain socioeconomic groups almost exclusively.

Character of Traditional Farming and Credit Needs

An identifying feature of the traditional rural setting in India is subsistence farming, characterized by a low degree of commercialization or monetization. The small farmers produce little more than what they and their extended family can consume. They use traditional methods and primitive implements such as the bullock drawn wooden plough. Typically, the farming plots are small and fragmented, measuring a hectare[1] or less. Whether there is

[1]10,000 square meters or 2.471 acres.

a surplus or a shortage of production depends more on the weather than on any other factor. In 1925, Sir Malcolm Darling observed,

> Insecurity of harvest is the dominant feature of the tract, and in a sense it may be said to be the dominant feature of India itself. There is no other great country in the world, except China, where agriculture is almost entirely dependent upon a single phenomenon of nature. As everyone knows, the Indian harvest is a gamble on the monsoon, and the monsoon has all the caprice of the proverbial eastern potentate.[2]

Vera Anstey adds, "A notable characteristic of the country is the marked insecurity of life, due mainly to the uncertainty of the water supply, and the prevalence of certain endemic and epidemic diseases."[3] This suggests that, at least in the traditional regions (those areas where the green revolution has had little or no impact), there has been a marked failure to harness nature even marginally. Since the small farmer (not to mention the landless laborer) barely ekes out a living even when the

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[2] Sir Malcolm Darling, The Punjab Peasant in Prosperity and Debt (London: Oxford University Press, 1947), p. 86.

[3] Vera Anstey, The Economic Development of India (London: Longmans, Green and Company, 1952), p. 14.

environmental conditions are favorable, it is not surprising to find him borrowing to make ends meet when the rains do not come, when it rains too heavily, or when disease strikes down his bullocks. Thus, the traditional small farmer borrows out of necessity; since he rarely ever saves, due primarily to his meagre existence, his need to borrow to make ends meet is an invariable result of economic setbacks.

His marginal existence notwithstanding, the small farmer in India is known for his improvidence and extravagance. The religious basis of many social customs and institutions, including in particular marriage, birth, and death rites, makes it a duty to spend freely on these ceremonies.[4] For example, "The obsequies that have to be performed at the funeral of a parent are the cause of a more serious misfortune than the death itself of a father or mother. No one will accept the excuse of poverty or any other form of inability--no matter how it is accomplished; society's heartless claim has to be satisfied to the very last farthing."[5] With respect to ceremonies,

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[4]Ibid., p. 55.

[5]Darling, The Punjab Peasant, p. 59.

marriage is perhaps the most expensive. Not only must the bride be purchased by dowry, but she must be adorned with jewelry.

> If wealthy, she will wear a chaplet of gold thickly set with gems for the head, jewelled rings round the entire rim of the ear, gold pins and nets for the hair, jewelled drops or rings for the nose, which is pierced at the side or in the cartilage between the nostrils, a jewelled collar for the neck, bracelets and cuffs of gold for the waist, and anklets and toe-rings of silver for the feet, and finally, a gold locket is concealed in the bosom, containing a charm against barreness and the evil eye.[6]

It is not uncommon for a half or even a whole year's income to be spent on the marriage ceremony. This is because marriage is not only a religious duty, but also an economic necessity. If a cultivator is not married there is no one to look after his house, no one to bring the midday meal to the fields, no one to pick cotton or to help in the weeding.[7] In sum, ceremonies in general and marriage in particular are major reasons for borrowing in the Indian traditional social setting.

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[6]Ibid., p. 56.

[7]Ibid., p. 53.

In addition to involuntary economic setbacks and obligatory ceremonial expenditures, borrowing to pay back old debts represents a major credit need in traditional India. "In India indebtedness has tended to become a permanent condition."[8] Cultivators are "born in debt, live in debt, and die in debt."[9] The main cause for this perpetuation of rural indebtedness is the system of borrowing from the village moneylender.[10]

Several studies and reports cite various reasons for rural borrowing and present different levels or percentages for each category of borrowing, depending mainly on which geographical area the study encompasses. However, the one characteristic of traditional Indian indebtedness that all these sources agree upon is its unproductive nature.

> The Bombay report states that most loans are not for productive purposes and adds pertinently that "debts incurred for productive purposes such as seed, bullocks, and manure turn out to be unproductive when seasons fail." The United Provinces

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[8]Anstey, The Economic Development of India, p. 187.

[9]Darling, The Punjab Peasant, p. 246.

[10]See Chapter III, p. 27.

> report observes that only 30 percent is "due to the needs of the cultivator's industry," while 34 percent is "due directly and definitely to his poverty," and 36 percent "to the social, religious or legal customs by which he is bound." The Central Provinces report is even more specific. Classifying a debt of 36 and one-half crores under nine heads, it comes to the conclusion that, excluding old debts (26 percent of the whole), 34 percent of the total was incurred for nonproductive purposes.[11]

Similarly, the Royal Commission on labor in India, appointed in the year 1929, found that the most important cause of borrowing was the expenditure on festivals and particularly marriages, births, deaths, and other unproductive reasons.[12]

Not only was a major portion of rural indebtedness for nonproductive reasons, the volume of debt was growing at what was considered an alarming rate at the beginning of this century. Comments Dr. V. Tirupati Naidu, "It is known that during the latter part of the 19th century there was witnessed in India the pathetic picture of agriculturists groaning almost everywhere under

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[11]Darling, The Punjab Peasant, pp. 19-20.

[12]Government of Bihar, Labour and Employment Department, Indebtedness amongst Industrial Workers in Bihar (Patna: Secretariat Press, 1961), p. 1.

a heavy load of debt."[13] Similarly Sir Malcolm Darling observed, "Half the country is burnt up by the sun, and the other half drowned by the river and the whole is waterlogged with debt."[14] Finally, Sudhindra Chandra, et al., commenting on rural indebtedness during the period 1895-1929, state, "Rural indebtedness increased in this period . . . as to its incidence it was universal: both the poor and the relatively prosperous peasants were indebted."[15]

It is little wonder that prior to the Independence era credit had a bad reputation and was looked upon as something which needed to be curtailed. Perhaps the best illustration of this point of view is an old French proverb: "Credit supports the farmer as the hangman's rope supports the hanged."

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[13] V. Tirupati Naidu, Farm Credit and Co-operatives in India (Bombay: Vora and Company Publishers PVT LTD, 1968), pp. 28-29.

[14] Darling, The Punjab Peasant, p. 109.

[15] Sudhindra Chandra Chakraborti, et al., Economic Development of India (Calcutta: Nababharat Publishers, 1965), p. 55.

The Green Revolution and the Increasing Demand for Productive Credit

Borrowing for productive purposes differs from borrowing for unproductive purposes mainly from the standpoint of repayment. The burden of repayment is eased with a productive debt, since the ability to repay is built into the reason for borrowing. With the dawning of the green revolution in India, numerous productive projects required financing. This was necessitated by the increasing use of high yielding varieties of seeds, assured water supply through irrigation projects and tube wells, fertilizer, pesticides, and in general, the use of modern farm implements and techniques. This green revolution[16] has been described as a fundamental shift in agricultural production in India. The rate of growth of agricultural output shifted from about 3 percent per annum between 1951-1965 to about 5.5 percent per annum between 1966-1971 and is regarded as a revolution in production.[17]

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[16]For an extensive bibliography on the Green Revolution, see T. J. Byres, "The Dialectics of India's Green Revolution," South Asian Review 5 (January 1972): 99-116.

[17]Subrata Ghatak, Rural Money Markets in India (Delhi: The Macmillan Company of India LTD, 1976), p. 179.

Concomitant with the green revolution there was a shift in official emphasis from concern about rural debt to providing rural credit. The Rural Banking Enquiry committee expressed the opinion that there was no imperative necessity to proceed with debt relief measures and that attention should more properly be concentrated on building up the institutional machinery of rural credit.[18] This new perspective vis-à-vis credit is summarized well by Dr. Naidu, "Debt by itself is not bad and borrowing as such cannot lead to indebtedness. In the past debt has tended to increase and become chronic not because of borrowing but because of failure to repay owing to the unproductive use of the funds borrowed."[19] The All-India Rural Credit Review Committee in 1969 noted

> certain recent trends provide a new context in which the requirements of agricultural credit have to be assessed and arrangements devised for meeting them . . . agriculture is becoming increasingly modernized and remunerative, and, over a large area, getting transformed from a way of living into a form of business . . . this involves the increasing use of, and hence more cash outlays on improved seed, chemical fertilizer, pesticides and adoption of improved cultural practices, and in some areas, a

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[18]Naidu, Farm Credit and Co-operatives, p. 35.

[19]Ibid., p. 41.

limited degree of mechanization as reflected in the use of power tillers, tractors, etc.[20]

In short, the green revolution, which involves the transformation of Indian agriculture from a traditional to modern state, has brought with it a dramatic change in the character of rural credit demand. Certainly demand for credit for unproductive purposes still exists, but there is an increasing demand for credit for productive projects as the green revolution spreads, though unevenly, through the Indian countryside. What sources are available for meeting the increasing demand for credit in the rural areas of India is the subject of the next chapter.

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[20]Reserve Bank of India, Report of the All-India Rural Credit Review Committee (Bombay: Dr. C. D. Datey, 1969), pp. 62-64.

CHAPTER III

SOURCES OF RURAL CREDIT

The supply of rural credit in India has a dual character. It consists of two sectors, the institutional sector and the noninstitutional sector or, as they are sometimes referred to, the organized and unorganized sectors. The noninstitutional sector consists mainly of the professional and agricultural moneylenders, landlords, traders, commission agents, and the farmers' relatives and friends. The institutional sector comprises cooperatives, commercial banks and the regional rural banks. The fact that both sectors exist is not unique. What is noteworthy is the dominance of the noninstitutional sector. Although the share of the noninstitutional sector in total borrowings of farmers has recorded a decline from more than 95 percent in 1952 to 85 percent in 1961-62 and 75 percent in 1971-72, farmer borrowings from noninstitutional sources still represent about 65 percent at present. [1]

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[1]Reserve Bank of India, <u>Multi Agency Approach in Agricultural Finance: Report of the Working Group</u> (Bombay: Examiner Press, 1979), pp. 1 and 2.

Table 1 shows a percentage breakdown of borrowings for all rural households by source for the years 1951-52 and 1961-62. The agriculturist and professional moneylenders are by far the leading source of rural credit. Their system of lending is worth a closer examination.

Moneylenders

Moneylenders have been classified as rural or urban, professional or nonprofessional and as agricultural or industrial. Most sources concerned with rural credit, however, categorize moneylenders into either agriculturist moneylenders or professional moneylenders. Into which category a moneylender is placed depends on where he receives the majority of his income. An agriculturist moneylender is one whose primary livelihood comes from agriculture but who also indulges in moneylending to some extent. The professional moneylender engages almost exclusively in the business of lending money. For simplicity the two categories will be lumped together and discussed here as one.

The village moneylender operates under the principle of convenience. "He is always accessible even at

TABLE 1

BORROWINGS FROM DIFFERENT SOURCES

(All Rural Households)

Agencies		1951-52	1961-62
Average amount borrowed per family	Rs.	160.00	180.00
Proportion of amount borrowed from:			
		Percentage	
Government		3.1	2.3
Cooperatives		2.9	13.8
Relatives		14.4	8.8
Landlords		2.0	0.7
Agriculturists Moneylenders		24.8	33.9
Professional Moneylenders		43.8	12.7
Traders & Commission Agents		6.1	10.1
Commercial Banks		1.1	0.7
Others		1.8	17.0
Total		100.0	100.00

SOURCE: M. R. Tokhi and D. P. Sharma, eds., Rural Banking in India (New Delhi: Oxford & IBH Publishing Co., 1975), p. 119.

night; dispenses with troublesome formalities, asks no inconvenient questions, advances promptly, and if interest is paid, does not press for repayment of principal."[2] He has a good knowledge of the character and repaying capacity of his clients.[3] He spends enough time with his borrowers to know well what their needs are, what problems they might be experiencing, what their successes and failures are and in general he knows a great deal more about their creditworthiness than the average loan counselor at a banking institution. In many cases, the moneylender makes loans to people who would otherwise not be eligible for a loan.

The moneylender's services are many, but he demands a high price in return. The exhorbitant interest rates charged by moneylenders have been the subject of attack by many authors. Some attribute the high rates to the monopoly position of the moneylender. Others cite the greater risk the moneylender takes in making loans to

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[2] Darling, The Punjab Peasant, p. 194.

[3] Ghatak, Rural Money Markets in India, p. 15.

cultivators. Still others maintain that high interest rates are part of the objective the moneylender has to control the cultivator. M. G. Bhagat and Subhachari Dasgupta assert that the "object of lending money is more to keep the control over the farmer rather than to earn interest on the money. The control helps the moneylenders who mostly are also traders to sell their wares dear and buy the farmer's produce cheap."[4] Sir Malcolm Darling similarly observes, "there was nothing the moneylender desired less than repayment in full, for that meant the loss of a customer as well as a client, and difficulty perhaps in finding a fresh outlet for his money."[5]

"The moneylender has different types and extents of control over the borrower. Such are mainly socio-economic in character. The social force can take the form of 'loss of face or local prestige,' caste disapproval or pressure through local self-governing bodies, i.e., panchayats.[6] The economic force lies in the

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[4]M. G. Bhagat and Subhachari Dasgupta, Developing Adivasis and Small Farmers (Bombay: Chief, Administrative Services, National Institute of Bank Management, 1975), p. 4.

[5]Darling, The Punjab Peasant, p. 179.

[6]Village Councils.

possible drying up of the source of credit."[7] The moneylender is usually socially and educationally superior to his clients. The records kept by the moneylender are typically minimal and not subject to review by the borrower, even if the borrower were intellectually capable of examining them. A. N. Mukerjee says all moneylenders

> operate on the same pattern, i.e. befool the farmer by appearing to charge a low rate of interest, whereas actual calculations prove otherwise. Such methods include, (1) deduction of interest for the whole year from the amount of loan and then spreading out the amount in equal installments, or (2) giving a smaller loan while having the borrower sign for a larger amount, or (3) professing to give an interest-free loan provided the farmer agrees to a forward sale of his produce to the lender at an agreed rate (fairly low).[8]

Table 2 lists some other common malpractices of moneylenders.

The ultimate form of exploitation of the cultivator by the moneylenders is bonded labor. No conclusive evidence exists as to the current extent of this practice.

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[7] Ghatak, Rural Money Markets in India, p. 16.

[8] A. N. Mukerjee, "Agricultural Credit--A Few Lessons," Agricultural Finance in India, ed. Charanjit Chanana (New Delhi: Marketing and Economic Research Bureau, 1969), p. 77.

TABLE 2

COMMON MALPRACTICES OF MONEY-LENDERS

1. An anna is deducted from every rupee advanced and interest is charged upon the whole amount.

2. When the balance is struck, the debtor may be forced to go before the sub-registrar and state that he has received the whole amount in cash, though most of it is accumulated interest.

3. Debts are misrepresented in the ledger by entering inferior grains as if they were wheat.

4. No interest is allowed on repayments in kind, and not as much as is due on credits in cash.

5. A full year's interest is charged on a loan, though the latter may have been taken only a few months before the balance is struck.

6. Accounts are kept in such a loose unintelligible way that interest cannot be separated from principal.

7. Old grain is doled out for food in the cold weather and repayment is taken a few months later in wheat or cash, plus 25 or 50 per-cent.

8. The bulk of a man's grain is taken straight from the threshing floor, so as to compel him a month later to borrow at a high rate of interest for the payment of his land revenue.

SOURCE: Sir Malcolm Darling, The Punjab Peasant in Prosperity and Debt (London: Oxford University Press, 1947), p. 190.

> . . . extracts from various Reports of the Commissioner of Scheduled Castes and Scheduled Tribes during the last two decades vividly explain how the exploitation of bonded laborers continued unabated during the entire period. They also show how the system continued to be in operation despite its denial by the State Governments. . . . The First Report for the year 1951 which gives the background of the steps taken by the Government of India states, 'in spite of vigorous efforts of the Governments, forced labour is still in existence and it is mostly the Scheduled Castes and Scheduled Tribe people who are suffering on account of this unlawful practice.' More than 20 years later during 1971-72 and 1972-73 the Report notes, 'the system of bonded labour as forced labour in some form or other is still in existence in some States and Union Territories.'[9]

That bonded labor continues to exist is evident from the following quotation from the draft of the sixth five year plan. "Exploitation of the poorer sections of the community by money-lenders and through a bonded labour system is still widely prevalent in the country."[10]

It would be easy to indict the moneylender for exploiting the farmer, especially considering the tragedy of bonded labor. "Lord Acton," Sir Malcolm Darling recalls, "once remarked that the number of men in the

[9] Dr. M. K. Pandhe, ed., Bonded Labour in India (Calcutta: Roma Basu Majumdar, 1976), p. vii.

[10] Government of India, Planning Commission, Draft Five Year Plan, 1978-83 (Delhi: Controller of Publications, 1978), p. 152.

world's history who had enjoyed great power without abusing it could be counted on the fingers of one hand, a dictum that the money-lender in no way disproves."[11] However, it should be appreciated that the moneylender provides needed services that otherwise would not be available to the farmer. Says an Indian adage, "For a village to be fit to live in, four things are basic: a money-lender, a vaid, a person of learning, and a stream that does not dry up in Summer."[12] If in the case of rural credit, something is better than nothing, then there is no doubt as to the necessity of the moneylender in the past. Institutionalized credit, as an alternative source of rural credit, was not even available until approximately the beginning of the twentieth century.

Institutional Sources

Institutionalized rural credit in India was born out of attempts to curtail the power of the

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[11]Darling, The Punjab Peasant, p. 167.

[12]Venkatappiah, "Rural Credit," p. 75.

moneylender and end the problem of perpetual indebtedness. Various acts[13] were passed during the last quarter of the nineteenth century to improve the indebtedness situation, culminating in the Co-operative Credit Societies Act of 1904. The 1904 Act provided for the establishment of cooperative credit societies. See Table 3 for the main provisions of the Act of 1904.

The cooperative movement in India had its roots in the Raiffeisen pattern of Germany. Sir F. Nicholson, who was appointed to conduct a special inquiry into the establishment of agricultural banks in 1895, recommended in his report "the establishment of credit societies, and emphasized the fact that it was not only credit that was needed, but also the inculcation of habits of thrift and self help. The best way to do this, he urged was to 'find Raiffeisen!'"[14]

> The model rules of Raiffeisen Societies state "that the object of the society is to improve the situation of its members both morally and materially" and the chief way proposed for doing this was "to obtain

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[13]For a detailed description of these Acts, see Anstey, The Economic Development of India, pp. 188-193.

[14]Ibid., p. 190.

TABLE 3

MAIN PROVISIONS OF COOPERATIVE CREDIT SOCIETIES ACT OF 1904

1. Ten persons living in the same village, town or belonging to the same caste or class may apply for registration of a cooperative society for the encouragement of thrift, self-help and cooperation among the members.

2. The main business of the society was to raise funds by deposits and loans to its members.

3. The societies were placed in the charge of official registrars with very wide powers of control and supervision.

4. The accounts of every society were to be audited by the registrar or by a member of his staff, free of charge annually.

5. The societies were classified as rural and urban. The liability of members of a rural primary cooperative society was to be unlimited.

6. No dividends were to be paid to the members of the Rural Cooperative credit societies but were to be transferred to a reserve fund out of which a bonus might be distributed to the members under certain circumstances. In urban societies, however, dividend was payable after contributing 1/4 of the profit to the reserve fund.

SOURCE: Mahfoozur Rahman, Genesis of Agriculture Cooperative Credit Societies in India (New Delhi: Bookrays Publishers, 1977), p. 26.

> through common guarantee the necessary capital for granting loans to members for the development of their business and household." The foundation of the Raiffeisen societies is the mutual knowledge and personal honesty of the members. Further principles are the following: loans may be made to members only; loans must be for productive purposes; repayments must be punctual; the liability of members for the debts of the society is unlimited; profit is undivided and indivisible; deposits derived from the thrift of members are accepted and encouraged; the officers of the society work gratuitously and the constitution is democratic. Raiffeisen Motto was: One for all--all for one.[15]

In 1980 the fundamentals of management in the cooperative credit societies of India are basically the same as laid out by Raiffeisen. However, some of the larger societies have paid managers and are operated on the basis of limited liability. The cooperative banking system is organized along a three-tier structure in each state. At the apex is the State Co-operative Bank which is ultimately linked to the Reserve Bank of India. The State Co-operative Bank is the coordinator of policy and acts as the nerve center of cooperative banking for the state. A level below the State Co-operative Bank are the Central Co-operative Banks, whose major function is to

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[15]Naidu, Farm Credit and Co-Operatives in India, p. 68.

finance the village primary societies. "The evolutionary history of Central Banks in India has seen three types of organizations:

(1) Banks of which the membership is confined to individuals.

(2) Banks of which the membership is confined to societies.

(3) Banks which include both individuals and societies among their members.

There are now practically no central banks which come under the first category."[16]

At the village level is the heart and soul of the cooperative movement, the village primary societies. Comments V. Tirupati Naidu,

> It is no exaggeration to say that the success or failure of the movement largely depends on the strength or weakness of primary societies. The primary societies are the point of co-operative contact with the cultivators. It is in these societies and the services they render that the cultivators see the co-operative movement at work. They are the foundation on which the co-operative structure stands.[17]

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[16]B. N. Choubey, Principles and Practice of Co-operative Banking in India (Bombay: Asia Publishing House, 1968), p. 17.

[17]Naidu, Farm Credit and Cooperatives, p. 72.

Similarly, Vera Anstey asserts, "The strength of the movement depends on the soundness and energy of each of the primary societies."[18]

Primary societies raise funds by collecting share capital from members and by borrowing from the central financing banks. In addition they build up reserves from profits. Loans are advanced on a short-(12 months) to medium-term (2-5 years) basis for productive purposes. Initially, loans were approved strictly against the security of landholdings. However,

> the Committee of Direction of the All-India Rural Credit Survey, in its General Report published in 1954, recommended a rational credit system known as crop loan system . . . under this system, loans are advanced on the basis of anticipated crops instead of on the basis of real property; the amount of loans is related to the estimated outlay on the raising of crops. The loan is disbursed in cash and kind and in installments according to the requirements of cultivation. The period of credit varies according to the period of maturity of various crops.[19]

Although an evaluation of the cooperative movement is left for the next chapter, one point is worth

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[18]Anstey, The Economic Development of India, p. 193.

[19]Dr. O. R. Krishnaswami, Co-operative Democracy in Action (Bombay: Somarya Publications PVT. LTD., 1976), p. 43.

mentioning at this juncture. The crop loan system marked a most distinctive improvement over the moneylender system. The moneylender is concerned only with the creditworthiness of the borrower and does not care what use is made of loaned funds. On the other hand, the crop loan system adopted by the cooperative societies is at least a step towards insuring that loans are used for productive purposes.

Although the cooperative movement was a success beyond the expectations of the framers of the Act of 1904, the growth has been uneven quantitatively and qualitatively. Because of this uneven growth and resultant unmet credit needs, commercial banks entered the rural credit scene. With the introduction of social control measures (1968) and subsequent bank nationalization (1969)[20], commercial banks have made major strides in the financing of agriculture and emerged as an important source of agricultural finance along with the cooperatives. The commercial banks have experimented with a

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[20]For a comprehensive analysis of bank nationalization and social control, see Narendra Kumar, ed., Bank Nationalization in India: A Symposium (Bombay: Lalvani Publishing House, 1969).

number of alternatives and combinations of methods and approach in different parts of India.[21] For the most part, commercial banks have been operating in areas where cooperatives are either not established or if established, have a poor base. However,

> In 1970, a scheme for financing agriculture through primary credit societies was taken up by the commercial banks at the instance of the Reserve Bank of India. This scheme was in operation in 11 states . . . at the end of December 1976. Twenty-four commercial banks in their 528 branches have financed farmers through 3,453 primary agricultural credit societies to the extent of Rs 45 crores[22] as of the end of December 1976. In addition to being able to reach a much larger number of farmers through this method, the banks have gained valuable experience in reviving the societies financially and organizationally, and in guiding them to expand the membership, increase the share capital and diversify their lending on healthy lines.[23]

In theory, the scheme combines the business acumen of the commercial banks with the knowledge of local conditions that the cooperatives societies possess.

The final institutional source of rural credit is the regional rural bank, a recent development. "In order to accelerate the development process, the Banking

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[21]Reserve Bank of India, Multi-Agency Approach in Agricultural Finance, p. 4.

[22]The crore equals 10 millior.

[23]Reserve Bank of India, Multi-Agency Approach in Agricultural Finance, p. 4.

Commission, 1969 . . . suggested the establishment of rural banks. The commission defined a rural bank as a primary banking institution established to serve a compact group of villages by performing banking and, to a certain extent, non-banking functions, with the objective of developing village areas."[24]

> The rationale behind the setting up of such banks consists in the fact that for several years, state policy in widening and intensifying the institutional coverage of rural credit laid emphasis on the development of the co-operative credit structure as the major instrument of building a viable rural credit scheme. In spite of significant progress made by the co-operatives, due to inadequate attention to the credit needs of the small and marginal farmers, the benefits have not percolated to all sections of farmers alike. And, in view of the relatively high cost structure of commercial banks and inadequate local involvement, commercial banks lacked the ability to tackle the needs of the small/ marginal farmers, and agricultural laborers. Consequently, in accordance with the recommendations of the Committee on Rural Banks (1972 Chairman: Shri M. Narasimham) necessity was felt for the establishment of an institution which combined the local feel and familiarity with rural problems and attitudinal identification with the rural economy, which the co-operatives possess in large degree, with the modern business organization, commercial banks have.[25]

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[24]D. P. Sharma, "Rural Bank," Rural Banking in India, eds. M. R. Tokhiand and D. P. Sharma (New Delhi: Oxford and IBH Publishing Co., 1975), p. 108.

[25]Reserve Bank of India, Multi Agency Approach in Agricultural Finance, p. 6.

Commercial banks and regional rural banks have thus far played a relatively minor role[26] in supplying rural credit. The effort to institutionalize rural credit in India has been in the main concentrated on expanding the cooperative network. An evaluation of this effort is the subject of the next chapter.

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[26]The extent of this role and the future plans for commercial banks and regional rural banks in the context of rural credit supply are discussed further in Chapter V.

CHAPTER IV

INSTITUTIONAL RURAL CREDIT: SOME PROBLEMS

As indicated in the previous chapter, institutional rural credit is provided by three types of organizations: cooperatives, commercial banks, and regional rural banks. The cooperative movement has been and still is by far the most significant. Professor B. N. Choubey observes, "of the institutional agencies, the co-operatives have been recognized as the most ideal and have emerged as the principal agency for providing agricultural finance for commercialization and modernization of the agricultural industry."[1] In the draft of the sixth five year plan, the Planning Commission, Government of India, says "The co-operative system is the most widely distributed and organized credit system which can readily take up the vast task of purveying short, medium and long-term credit to the rural areas."[2] Similarly, the Working

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[1]B. N. Choubey, "Agricultural Credit in India--An Appraisal," Agricultural Credit in India--An Appraisal, ed., J. Kodesia (New Delhi: World Agricultural Fair Memorial Farmers Welfare Trust Society, March 1974), p. 2.

[2]Government of India, Planning Commission, Draft Five Year Plan 1978-83, p. 151.

Group on the Multi Agency approach in Agricultural Finance, Reserve Bank of India, stated in 1979, "no agency other than the co-operatives possesses the organizational potential to reach out to the millions of small and scattered farmers and establish grass-root contacts . . . the co-operative network is already vast and can be further extended/strengthened/improved with comparatively greater ease and less cost."[3] It follows that any discussion of the problems encountered in institutionalizing rural credit in India must, by and large, be a discussion of the problems encountered with the cooperative movement.

Further, as pointed out in Chapter III, the heart and soul of the cooperative system are the village primary societies. In this context the draft of the Fifth Five Year Plan states "the most crucial but the weakest link in the cooperative credit structure is represented in the primary agricultural credit societies."[4] Because of their crucial and strategic importance, this

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[3]Reserve Bank of India, Multi-Agency Approach in Agricultural Finance, Report of the Working Group, p. 16.

[4]Government of India, Planning Commission, Draft Fifth Five Year Plan 1974-79, 2:79.

discussion of the problems encountered in the effort to institutionalize rural credit in India will be specifically focused on the village primary cooperative societies.

Although the All-India cumulative growth figures in terms of credit advanced by primary cooperatives have been promising, "the progress in various states has been quite uneven . . . . the levels of advances in Uttar Pradesh, Tamil Nadu, Orissa and Jammu and Kashmir have not increased to any significant extent. In the cooperative weaker States of Assam, Bihar and Rajasthan, the levels of advances have been stagnant while Mysore,[5] Punjab and Andhra Pradesh registered a decreased in 1969-70."[6]

The specific intent of this discussion is not so much to indicate which regions of India have strong primary cooperative societies and which regions have weak ones. Rather, the specific intent is to examine the problems encountered by the primary cooperative societies and shed some light on the underlying causes of

[5]Now called the State of Karnataka.

[6]Choubey, "Agricultural Credit in India--An Appraisal," p. 4.

those problems. Obviously, not all societies experience the same problems, and the literature is replete with numerous explanations of the causes for the weak condition of primary societies as discovered within the context of various micro studies.[7] In this chapter, an attempt is made to isolate and summarize the weaknesses of the primary cooperative societies through a review of their major problems and obstacles. These major problems and obstacles will be discussed here under the following headings: Financial Weakness, Organizational/Structural Problems, Institutional Obstacles, and Neglect of the Weaker Sections.

Financial Weakness

An important indicator of viability with respect to a banking institution is its financial position.

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[7]For examples: see S. Sharanappa, Rural Credit and Economic Development (Mysore: RAO and Raghavin Publishers, 1969); National Council of Applied Economic Research, Effectiveness of Cooperative Credit for Agricultural Production (New Delhi: N. K. Gossain and Co., March, 1972), and the reports of the study teams on agricultural credit institutions in the various states prepared by the Reserve Bank of India. For example, see Reserve Bank of India, Report of the Study Team on Agricultural Credit Institutions in Rajasthan (Bombay: Dr. C. D. Datey, 1975).

Unfortunately, the primary cooperative societies in many regions of India are deficient in terms of this measure. The two major causes for the weak financial position are failure to mobilize deposits and failure to secure repayment of loans outstanding on a timely basis (overdues).

First, as Professor B. N. Choubey observes, "Thrift is the fulcrum of co-operative banking and deposits have to play a very significant role in it. According to the Maclagan Committee (1915), in Germany, more than 87 percent of the working capital of the Raiffeisen societies consisted of deposits, while in India the corresponding percentage was 18 only."[8] There was no improvement in this situation through 1957-1958. In fact the condition worsened. There was a gradual fall in deposits as a percentage of working capital down to 6 percent as of 1957-1958.[9] The percentage was only 7 percent at the end of 1970.[10] Although the percentage

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[8]Choubey, Principles and Practices of Cooperative Banking in India, p. 44.

[9]Ibid.

[10]Computed by author from data in Mahfoozur Rahman, Genesis of Agricultural Cooperative Credit Societies in India (New Delhi: Bookrays Publishers, 1977), pp. 35 and 37.

rose to approximately 17 as of 1977,[11] deposit mobilization is still considered a weakness of the cooperative movement. Comments Dr. Mahfoosur Rahman, "Though thrift has always been an important aim of the co-operative movement, most village primaries have made little progress in attracting deposits, and their dependence on outside borrowings has continued to grow."[12] The efforts of co-operative societies in mobilizing deposits have not been very successful except in Punjab, Himachal Pradesh, Kerala, and Gujarat.[13]

The reasons for this poor performance in mobilizing deposits are many. However, one major cause is simply a lack of surplus in rural income. As mentioned in the introductory chapter, 48 percent of the rural population lived below the poverty line in 1977-78.[14] Says Professor B. N. Choubey, "Poverty of the Indian farmer has become proverbial."[15]

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[11]Reserve Bank of India, Statistical Statements Relating to the Co-operative Movement in India: 1976-7, Part I: Credit Societies (Bombay: Shri V. P. Malhotra, 1978), p. 2.

[12]Rahman, Genesis of Agricultural Cooperative Credit Societies in India, p. 37.

[13]Ibid., p. 38.

[14]See p. 3.

[15]Choubey, Principles and Practices of Agricultural Credit Societies in India, p. 90.

The classes of farmers that do manage to earn a surplus are lured by more lucrative investments which offer higher rates of return than the cooperative societies can offer. In fact, the major portion of such savings is "invested by way of private loans on high rates of interest. Consequently, rural debt also represents largely the reinvested savings of these classes of people."[16] Another cause of the poor deposit mobilization, asserts the Agricultural Credit Department, Reserve Bank of India, is that, "The liberal financial accommodation provided by the Reserve Bank has perhaps dampened the interest of the co-operative banks in mobilizing deposits from the public."[17] This suggests that the Reserve Bank feels that borrowing from it may have been too easy in the past.

As stated above, the second major cause of financial weakness in the cooperative societies is

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[16] Ibid., p. 90.

[17] Reserve Bank of India, Agricultural Credit Department, "Problems of Financing Agricultural Credit Cooperatives," Agricultural Credit in India--An Appraisal, ed., J. Kodesia (New Delhi: World Agriculture Fair Memorial Farmers Welfare Trust Society, March 1974), p. 242.

overdues.[18] "Slackness in recovery of loans resulting in mounting overdues in cooperative credit institutions is undermining the soundness of the cooperative credit structure in many areas and has led to stagnation, if not recession, of cooperative credit."[19]

The All-India Rural Credit Review Committee (RCRC) stated in its report that, "the All-India figure of overdues has been going up from year to year, rising from about a fifth of the outstandings in 1960-61 to more than a third in 1966-67."[20] Professor B. N. Choubey adds, "overdues in cooperatives (primary level) kept on rising and shot up from 32 percent in 1967-68 to 36 percent in 1969-70 and to approximately 39 percent in 1970-71."[21] What is more alarming is the fact that "these

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[18]For a detailed study of this problem, see C. L. Dadhich, Overdues in Farm Co-operative Credit (Bombay: Popular Prakashan Private Limited, 1977).

[19]Government of India, Planning Commission, Fourth Five Year Plan 1969-74, p. 217.

[20]Reserve Bank of India, Report of the All-India Rural Credit Review Committee, p. 176.

[21]Choubey, "Agricultural Credit in India--An Appraisal," p. 9.

figures . . . do not bring out the full seriousness of the situation," according to the RCRC. "Firstly, there are many societies whose level of overdues is so high that the concerned institutions can no longer serve as active channels for credit. Secondly, the real figures would be even more depressing but for the window-dressing which is known to take place around the end of the co-operative year through unauthorized extensions and book adjustments occurring at the primary level."[22]

Similar to the deposit mobilization problem, the causes of overdues are many. Some causes are internal to the societies such as mismanagement, poor loan supervision, and unsound lending practices. Other causes are external, the most important of which is crop failure.[23]

The most disheartening cause of overdues, in view of the spirit of cooperation on which the whole movement is based, is the willful nonpayment on the part of borrowers. Asserts C. L. Dadhich, "to take stock of willful default and its causes is imperative before looking at other causes of the overdues in co-operative

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[22]Reserve Bank of India, Report of the All-India Rural Credit Review Committee, p. 176.

[23]Ibid., p. 177.

credit."[24] In reference to overdues, the Agricultural Credit Department of the Reserve Bank of India says, "It is probably more a problem of human failure, of educating the mass of membership in the principles and ideology of co-operation and creating a sense of responsibility amongst them."[25] In a study conducted during June-December, 1969, in the state of Rajasthan, C. L. Dadhich determined the causes of willful default to be "relending, uncertainty of finance, harassing the management and an element of fear about the future financial position of the society."[26] The RCRC observes, "The relatively low rates of interest charged in cooperative credit induce the cultivator to repay co-operative dues last among all his obligations."[27] It is interesting to note that in his study C. L. Dadhich found the willful defaulters to be from the following categories:

(a) those who have larger size holdings

(b) those belonging to higher castes groups

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[24]Dadhich, Overdues in Farm Co-operative Credit, p. 28.

[25]Reserve Bank of India, "Problems of Financing Agricultural Credit Cooperatives," p. 248.

[26]Dadhich, Overdues in Farm Co-operative Credit, p. 38

[27]Reserve Bank of India, "Problems of Financing Agricultural Credit Cooperatives," p. 177.

(c) those having better levels of education

(d) those with large borrowings

(e) those who are members or ex-members of the management committee or their close associates.[28]

Dadhich's study suggests that, in the case of willful default, the economically weaker sections of rural society are not to blame.

Organizational/Structural Problems

The original Raiffeisen concept of one primary cooperative society per village based on unlimited liability was recognized as a mistake as early as 1954 by the All-India Rural Credit Survey (RCS).[29] The general determination was that small societies with unprofessional, voluntary management were not economically viable. Specifically the RCS recommended, "The future line of development of co-operative credit at the level of the village should be unhesitatingly in the direction of bigger

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[28]Dadhich, Overdues in Farm Co-operative Credit, p. 38.

[29]Reserve Bank of India, All-India Rural Credit Survey, p. 533.

societies covering larger areas. Primary agricultural credit societies should hereafter be established, or whatever necessary existing ones reorganized, so as to cover, according to local conditions, groups of villages with a reasonable adequate share capital."[30] In a comparison study of small-sized and large-sized primary societies, the Rural Credit Review Committee found in June,1962, "The large-sized society was well ahead of the small-sized society, not only in respect of paid-up share capital, but also volume of deposits and level of loan operations. . . . . In large-sized societies, not only the averages per society but also those per member were higher than those for small-sized societies, in respect of loans, deposits and share capital. In other words, performance in quantitative terms was higher, even after allowance was made for their larger jurisdiction."[31] (See Table 4.) Despite this evidence in favor of large-sized societies, the Reserve Bank of India in a report published in January,1975, stated, "the programme of

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[30] Ibid., p. 555.

[31] Reserve Bank of India, Report of the All-India Rural Credit Review Committee, p. 443.

TABLE 4

LARGE-SIZED AND SMALL-SIZED AGRICULTURAL CREDIT SOCIETIES--AVERAGES

(As on June 30, 1962)

(Amounts in Rupees)

	Large-sized	Small-sized
Membership per society	502	75
Working capital per society	1,18,628	11,220
Share capital:		
per society	27,455	2,274
per member	55	30
Deposits:		
per society	7,042	585
per member	14	8
Loans advanced per borrowing member	256	220

SOURCE: Reserve Bank of India, Review of the Co-operative Movement in India, 1970-72 (Bombay: Shri K. Madhava Das, January 1975), p. 444.

reorganization of primary agricultural credit societies was still not satisfactory."[32] The report attributed the delay in implementation of the program of reorganization mainly to: "(i) administrative slackness, (ii) desire of some societies to maintain their identity, (iii) disagreement between amalgamating societies in the matter of location of headquarters of new societies, (iv) rivalry and differences between the members of amalgamating societies and (v) lack of interest shown by the central banks and state co-operative banks in the programme."[33]

Professor V. Tirupati Naidu suggests the failure to form larger societies may "relate to ideological considerations."[34] According to Professor Naidu, there exists a trade off between small-sized societies that have better moral cooperation and large-sized societies that are economically more viable. Further, he says, "large size is not an objective by itself but economic

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[32]Reserve Bank of India, Review of the Co-operative Movement in India, 1970-72 (Bombay: Shri K. Madhava Das, January 1975), p. 87.

[33]Ibid.

[34]For an excellent discussion of the business vs. social aspects of cooperation, see Naidu, Farm Credit and Cooperatives, Chapter VII, pp. 82-104.

viability is."[35] It follows that each village or region should organize primary societies according to local needs and conditions, but the emphasis should be on economic viability.

Most sources agree that primary societies should be large enough to support the hiring of paid secretaries for the maintenance of the books of accounts. However, as of June 30, 1972, "a large number of societies still depended upon honorary secretaries."[36] (See Table 5 for a state/union territory tabulation of societies having paid secretaries.) As of 1969, the All-India Rural Credit Review Committee found this failure to hire a professional staff to be a major organizational cause of weakness at the primary level. In the words of the committee,

> It is one aspect of the lack of a business-like approach on the part of Co-operatives that they have been content in many areas to make do with low-paid and non-professional staff. While the efficiency of such staff was not always equal to the needs of the institutions, their selection was often influenced by considerations of local patronage or personal favouritism. The working of co-operatives in

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[35]Ibid., p. 103

[36]Reserve Bank of India, Review of the Co-operative Movement in India 1970-72, p. 89.

TABLE 5

NUMBER OF PAID SECRETARIES

State/Union Territory	Number of Societies as on June 30, 1972	Number of Societies Having Paid Secretaries	
		Full-time	Part-time
Andhra Pradesh	15,054	775	1,835
Assam	3,069	721	599
Bihar	16,500	2,250	--
Gujarat	8,293	4,975	3,021
Haryana	6,244	980	5,036
Himachal Pradesh	2,537	880	1,334
Jammu and Kashmir	1,084	754	194
Kerala	2,084	1,594	45
Madhya Pradesh	9,875	8,041	1,790
Maharashtra	19,973	10,194	9,736
Mysore *	8,474	5,273	748
Nagaland	16	3	9
Orissa	3,476	2,862	227
Punjab	10,176	3,204	6,261
Rajasthan	7,727	2,709	1,275
Tamil Nadu	5,562	4,171	349
Uttar Pradesh	24,559	3,383	14,834
West Bengal	11,118	294	609
Union Territories	1,633	236	242
Total	157,454	53,299	48,144

SOURCE: Reserve Bank of India, Review of the Co-operative Movement in India 1970-72 (Bombay: Shri K. Madhava Das, January 1975), p. 88.

*Karnataka

> the context of the adoption of new policies is becoming an increasingly complex task which requires a considerable technical competence and professional independence in day-to-day functioning.[37]

Unfortunately, even though some progress has been made, the lack of trained, competent, and professional staff remains a problem at the primary level. The draft of the sixth five year plan states, "Resolutions to bring in efficient management . . . have remained mostly a dead letter."[38]

Institutional Obstacles

Many of the obstacles to growth and progress facing the cooperative societies are institutional in character. Although these institutional hinderances lie outside the purview of the cooperative credit societies per se, their negative impact on the cooperative movement is worth mentioning. Three such institutional obstacles will be discussed here: religion, caste and the

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[37]Reserve Bank of India, Report of the All-India Rural Credit Review Committee, pp. 190-191.

[38]Government of India, Planning Commission, Draft Five Year Plan 1978-83, p. 151.

agrarian structure. The reader should bear in mind that volumes have been written on each of these three institutions and any discussion of them in a paper of this length can only be cursory.

Vera Anstey has pointed out, "the religious attitude, no matter what particular creed is involved, pervades every sphere of life in India, and tends (as it has invariably tended, in all ages and climes, when it has governed secular life) to engender rigid traditionalism and conservatism, and to present unreasoning opposition to every innovation, however enlightened and humane."[39]

Although, as mentioned in the introductory chapter, there are six major religions followed in India, the vast majority of the people follow the Hindu religion. An important aspect of the Hindu religion, in terms of its effects on economic progress, is the doctrine of reincarnation. Hindus believe that men and women are reborn again many times. Tied to this belief is the doctrine of Karma. "The doctrine of Karma lays it down that a man is born into that position which he has earned in a former

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[39]Anstey, The Economic Development of India, p. 46.

incarnation. If he has deserved much he is born a Brahman or a Kshatriya, if little he is born into a low caste, or becomes an out-caste. It follows from this doctrine that it is every man's duty to accept the status to which his birth entitles him, and that inequalities of rights and duties are not unjust."[40] Such a belief helps to explain the social immobility that exists in India. That is, a Hindu would accept whatever economic plight he found himself in, as he would believe life would perhaps be better for him in his next incarnation. Kusum Nair observed that in regions where "deeper roots in traditional beliefs and attitudes existed, peasants were much slower to adopt new technology such as irrigation farming."[41]

The second institutional obstacle, the caste system, is no longer legally recognized by the Government of India. This official position notwithstanding, the caste system still functions in the rural areas of India even if it is on the wane in the urban areas. In 1974,

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[40]Ibid., p. 49.

[41]Kusum Nair, Blossoms in the Dust (New York: Frederick A. Praeger, 1962), p. 192.

Mohan Sinta Mehta commented, "India is perhaps the only country where the institution of caste exists in such rigidity and is such a strong fibre in the fabric of its national life."[42] This rigid caste system, itself an outgrowth of the Hindu religion, impacts most adversely on the scheduled castes or untouchables known as Harijans. In the words of a Harijan, Ambedkar Bhimrao, "Most people believe that untouchability is a religious system. That is true. But it is a mistake to suppose that it is only a religious system. Untouchability is more than a religious system. It is also an economic system which is worse than slavery."[43] Where such a caste system exists, it must certainly act as an impediment to the growth and progress of a movement that depends on the spirit of cooperation among people, as does the cooperative movement. The effect of caste is quite apparent in the following observation by the All-India Rural Credit

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[42]Mohan Sinha Mehta, "Do we know ourselves? "The Present Crisis," The Crisis of Changing India, ed. Ved Dan Sudhir (Delhi: National Publishing House, 1974), p. 7.

[43]Bhimrao Ambedkar, What Congress and Gandhi Have Done to the Untouchables (Bombay: Thaker and Co. LTD., 1945), pp. 196 and 197.

Survey. "The directors of certain co-operative societies are Kammas, Reddis, Brahmins [top castes in villages] and they do not take even on their staff members of any other [castes]. If a Reddi is the president of the society, all the members of the staff are Reddis. If the president is a Brahmin, all the members of the staff are Brahmins."[44]

A third institutional constraint on the cooperative movement is the agrarian structure or the existing distribution of land and rights to land use. As stated in Chapter I, the agricultural sector in India produces about 45-50 percent of the national income, and employs about 70 percent of the labor force. Concomitantly, land ownership is the basis of economic and political power in Indian society. Unfortunately, this power is concentrated in the hands of very few. Comments Dr. Sidhu, senior lecturer in Economics, University of Delhi, "The ownership of land is highly skewed in the sense that 71 percent of the owners of land own holdings smaller than 5 acres and own between [*sic*] them only 20 percent of the

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[44]Reserve Bank of India, *All-India Rural Credit Survey*, p. 55.

cultivated land."[45] Commenting on land tenure and tenancy, the All-India Rural Credit Review Committee observed,

> Another factor which explains the poor performance of co-operative agricultural credit in parts of the country is the fluid state of tenurial conditions existing in such areas. The uncertain rights in land and unfair terms of tenancy on the one hand and the prevalence of absentee owners and of oral lessees on the other, have affected adversely the incentive of the cultivator to invest in land and produce more. The supply of institutional credit has also been handicapped by these factors in so far as the credit agency cannot find an identifiable and clear interest of the cultivator in the land on which its credit could be based. Although measures of land reforms have been passed in many states, their enforcement has been generally bogged down by various practical and legal difficulties and efforts to circumvent some of their provisions.[46]

Outside the tenancy situation altogether are the landless, agricultural laborers which "by 1977-78 totaled 53 million."[47] These people have little for

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[45] B. S. Sidhu, Land Reform, Welfare and Economic Growth (Bombay: VORA and Co. Publishers PVT. LTD., 1976), p. 240.

[46] Reserve Bank of India, Report of the All-India Rural Credit Review Committee, p. 197. For more information on land reforms and the failure to implement them, see Daniel Thorner, The Agrarian Prospect in India (Delhi: University Press, Delhi School of Economics, University of Delhi, 1956) and F. Tomasson Jannuzi, Agrarian Crisis in India (Austin: University of Texas Press, 1974).

[47] Coe,."The Problem of Poverty in India," p. 4.

consumption, let alone investment, and would have extreme difficulty qualifying for a loan even if they did have an investment opportunity.

With the basis of political and economic power concentrated in the hands of the medium and large landowners, it is little wonder that the primary cooperative societies are dominated by them. This issue is worth examining in greater detail.

Neglect of the Weaker Sections

Before any discussion of the weaker sections of Indian society vis-à-vis cooperative credit support can take place, what is meant by the term "weaker sections" must be specified. It is noteworthy that many, if not most, sources that deal with this subject fail to make this definition explicit. One reason for this omission may be that any specific definition would be inaccurate for the country as a whole.

> Cultivators may be handicapped in one or more respects. Thus, the limited size of the holding may be too small for producing a surplus. Or the farmer's status on the land may be uncertain or otherwise unsatisfactory, as, for instance, in the case of oral lessees. In still other cases, the difficulty may arise from basic poverty resulting from natural

> factors such as infertile soils, poor or capricious rainfall or incidence of floods. Though, thus, the size of the farm is not the only relevant yardstick, most of the All-India statistics are available only with reference to this rough and ready criterion.[48]

It is therefore with some risk of being inaccurate, from one locality to another, that a definition of the term "weaker sections"is set forth here.

For the purpose of this paper, the term "weaker sections" shall include cultivators (owners or tenants) relying for their livlihood on plots of land no larger than three acres. Since land, as mentioned previously, is the basis of political and economic power, those without land must be considered weak in this respect. Consequently, landless agricultural laborers are also included in the definition. Unfortunately, there is a paucity of statistics pertaining to landless agricultural laborers in India. However, it may be assumed that whatever conditions are described for small-sized landowners and tenants, these conditions are proportionately worse for the landless agricultural laborer. Comments Martin

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[48]Reserve Bank of India, Report of the All-India Rural Credit Review Committee, p. 538.

Abel, "It is the agricultural labourers who, in significant measure, harvest the fruits of the green revolution and feel it slip between their fingers into the godowns[49] of the larger more prosperous farmers. One would not expect them to be overjoyed with such a situation."[50]

The cooperative movement in India was begun as an effort to free the agriculturist from the clutches of the moneylender. The movement was to consist, at the base, of primary cooperative societies, which were to be organizations of and for the weak. Accordingly, any evaluation of the cooperative movement must include an appraisal of how well it has met the needs of the weak. In the words of Jawaharlal Nehru, "The test of the movement's success is how far it is helping and giving benefits to the socially and economically weaker sections of the community."[51]

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[49]Warehouses.

[50]Martin Abel, "Agriculture in India in the 1970's," Economic and Political Weekly 5 (March 28, 1970): A-9.

[51]Inaugural address to the Fourth Co-operative Congress, November 29, 1963 as quoted by Naidu, Farm Credit and Cooperatives, p. 161.

The first comprehensive evaluation of the co-operative movement, the All-India Rural Credit Survey (1954), found that not only was cooperative agricultural credit providing just 3 percent of the cultivator's total borrowings, but that "what reaches the medium and small cultivator from the co-operative institution is a mere fraction of the little that co-operatives provide."[52] (See Table 6 for details.) In 1969, the All-India Rural Credit Review Committee concluded, "the small cultivators continue to be handicapped over large parts of the country in obtaining adequate credit from the co-operatives because of one or more factors, vis., exclusion from membership, insistence on landed security, and restrictions on the size of loan which may be made to tenants."[53] "During 1969-70 the primary agricultural credit societies disbursed loans aggregating Rs 5271 millions, out of which Rs 3924 millions or 75 percent was availed of by members with landholdings above 2 hectares and only Rs 1347 millions by members with land holdings of less than

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[52] Reserve Bank of India, <u>All-India Rural Credit Survey</u>, p. 8.

[53] Reserve Bank of India, <u>Report of the All-India Rural Credit Review Committee</u>, p. 175.

TABLE 6

BORROWINGS BY CULTIVATOR CLASS

Type of Cultivator	Big	Large	Medium	Small
Average value of owned land per family (Rs)	12,951	7,521	2,353	1,059
Average size of sown area per family (Acres)	26.0	16.9	6.8	3.0
Amount borrowed from cooperatives per family (Rs)	21.0	13.5	4.7	1.9
Amount borrowed from cooperatives as percentages of the total borrowings from all agencies (Percent)	4.0	3.8	2.7	1.7
Proportion of families borrowing from cooperatives (Percent)	5.1	4.5	3.3	1.9

Source: Reserve Bank of India, All-India Rural Credit Survey, Report of the Committee of Direction, Vol. II (Bombay: K. Madhava Das 1954), p. 234.

2 hectares, tenant cultivators, agricultural labourers and other landless persons."[54]

In 1978, the draft of the sixth five year plan stated, "The co-operative system is the most widely distributed and organized credit system which can readily take up the vast task of purveying short, medium and long-term credit to the rural areas. But, all along, the system has been heavily biased towards the more affluent sections of the rural community even though lip service has been paid to helping the poorer classes."[55]

The causes of this apparent neglect of the weaker sections on the part of the cooperative credit system are many. Some of the causes have already been discussed earlier in this chapter. This section will be devoted primarily to procedural causes of neglect of the weaker sections.

One of the primary procedural causes of the comparative neglect of the weaker sections is "that the

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[54]Reserve Bank of India, "Contribution of Co-operative Credit to Agricultural Development in India," Agricultural Credit in India--An Appraisal, ed. J. Kodesia (New Delhi: World Agriculture Fair Memorial Farmers Trust Society, March 1974), p. 55.

[55]Government of India, Draft Five Year Plan 1978-83, p. 151.

principle of open membership is not always effective and several co-operatives operate as a closed shop for the benefit of one particular economic group or caste or faction."[56] Although some states have legislated universal membership laws, others have not. From the point of view of members of the weaker sections, in many cases they cannot afford the membership fee or do not feel it worth their while to join a cooperative society. In 1972, the National Council of Applied Economic Research observed,

> Hierarchial consciousness, casteism and monopolistic tendencies lead to vested interests which try to limit the entrants into the cooperative fold. Cooperative affairs get managed by a small group of persons, who in a self-seeking pursuit throw principles to the wind. Managing Committees, by and large, are a close preserve of a few families and their stronghold over the societies is maintained in an unbroken continuity in some cases. The economically weaker sections of the rural community, who form the bulk, do not get drawn into the co-operative movement, due to the exclusive attitude on the part of village leadership, on the one hand, and the ignorance of co-operative principles by the lower strata of population on the other. The latter, consequently, have little faith in the cooperative movement and expect no benefits from joining it.[57]

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[56] Reserve Bank of India, Report of the All-India Rural Credit Review Committee, p. 174.

[57] National Council of Applied Economic Research, Effectiveness of Cooperative Credit for Agricultural Production, p. 23.

A second, and probably more important, cause of neglect of the weaker sections is the lending policies and procedures of the primary cooperative credit societies. At the time of the Rural Credit Survey in 1954, it was almost a universal practice to require land as security for loans.[58] Such a policy eliminates the landless agricultural laborer and certainly restricts the small landholder to small-sized loans. The introduction of the crop loan system in the early 1960s, as previously mentioned in Chapter III, was an effort, in part, to eliminate such restrictive policies. Under that system, loans were to be advanced based on future production rather than current creditworthiness, namely landholdings.

On the surface the crop loan system appeared to be a step in the right direction for providing easy credit to the weaker sections. However, the system ignored the weaker section's need for consumption credit. By the definition set forth above, the weaker sections maintain a marginal economic existence. When they are confronted with extraordinary expenses they need short-term

[58]Vadilal Dagli, Financial Institutions of India (Bombay: VORA and Co. Publishers PVT. LTD., 1976), p. 81.

consumption credit. The weaker section has no reserve to meet the costs of funerals, marriages, crop failure, litigation or similar expenses. It is in this sense that emphasis on production credit associated with the crop loan system works to the disadvantage of the weaker sections. Observes Dr. V. Tirupati Naidu, "If the cooperative system in most states shows a bias against consumption credit on the ground that its primary preoccupation is 'productive' finance, then to that extent, the system is bound to be automatically biassed in favour of the big and large cultivators."[59] Dr. Naidu goes on to say, "by its exclusive emphasis on the requirements of production credit, the Crop Loan System benefits mostly those classes and groups whose requirements of this type of credit are relatively large. On the other hand the small farmer and the agricultural labourer whose requirements of consumption credit are large do not equally benefit from the Crop Loan System."[60]

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[59] Naidu, Farm Credit And Cooperatives, p. 162.

[60] Ibid., p. 116.

CHAPTER V

CORRECTIVE MEASURES, PROSPECTS AND CONCLUSIONS

Most of the problems experienced by primary cooperative societies discussed in the previous chapter relate to their failure to concentrate on the aspect of business/economic viability. Vicious circles can be imagined emanating from this central problem to the problems cited in Chapter IV. For example, one cause of financial weakness is the failure to mobilize deposits. The failure to mobilize deposits can in turn be attributed, in part, to a lack of confidence in the economic viability of the primary societies on the part of the agriculturists. Similarly, small societies are not economically strong enough to hire professional managers. On the other hand, a lack of trained professional management may be the cause, at least in part, of the society being economically weak. Consequently, it follows that corrective measures should be aimed at this core issue of economic viability. Failure to act accordingly in the past was recognized by the All-India Rural Credit Review Committee. Said the committee, "A major factor of weakness in the working of co-operative credit in the recent past is that, corresponding to the new dimensions of their operations, there has been no recognition of the need for following a business-like approach in running these institutions."[1] Similarly, Professor V. Tirupati Naidu concludes that

> primary co-operative credit societies, if they are to be really useful, must be organized in future in a more business like manner. An emphasis on this aspect is needed all the more when the need for stepping up agricultural production is very urgent . . . the social and moral virtues of co-operation should not be regarded as goods to be purchased at the cost of economy or efficiency . . . we should build-up the business efficiency of the co-operatives.[2]

Instead of quality there has been too much emphasis on quantity in the effort to expand the cooperative network.[3] The result has been that many primary societies existed on paper only. These primary societies were either totally dormant or existed marginally in qualitative terms.

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[1]Reserve Bank of India, Report of the All-India Rural Credit Review Committee, p. 189.

[2]Naidu, Farm Credit and Cooperatives in India, p. 110.

[3]Reserve Bank of India, Report of the All-India Rural Credit Review Committee, p. 142.

In its effort to make the primary cooperative societies economically viable, the Government of India has introduced several corrective measures. These corrective policies were shaped, by and large, by the two All-India credit surveys that have been mentioned throughout this study: the All-India Rural Credit Survey, 1951-54, and the Report of the All-India Rural Credit Review Committee, 1969. Numerous other reviews and studies also have been conducted and have influenced policy but not to the extent of these two All-India surveys.

This chapter will present some of the major efforts to reform the cooperative system beginning with those that were recommended by the All-India Rural Credit Survey (1954) and ending with those proposed by the Draft Five Year Plan (1978-83). The chapter will culminate with some concluding remarks on rural credit in the context of economic development.

The Integrated Credit Scheme

The first major set of corrective measures introduced with respect to the cooperative movement were a result of the recommendations of the All-India Rural Credit Survey Committee (RCSC) (1954). The RCSC recommended what has become known as the Integrated Credit Scheme. Basically, this scheme included four main features.

First, the scheme recommended the reorganization of the primary society structure. As alluded to in the previous chapter, this recommendation suggested the movement towards larger primary societies with limited liability. However, the RCSC advised that "reorganization of existing societies should be attempted only where necessary and when this can be done without considerable dislocation. A phased, programme of reorganization, confined to contiguous societies which would gain by amalgamation, would therefore be appropriate."[4] With respect to new societies the RCSC said "the model adopted in regard to size etc., should, by preference and to the maximum extent possible, be the larger-sized society."[5]

The second feature of the integrated credit scheme involved state partnership. Specifically, the RCSC report reads:

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[4]Reserve Bank of India, All-India Rural Credit Survey, p. 555.

[5]Ibid., pp. 555 and 556.

> One of the priority objectives of policy has to be the creation of conditions in which co-operatives and other institutions will functiòn effectively in the interests of rural production and for the benefit of the rural producer, and not as hitherto be largely stultified by the operation of more powerful private interest; for this, the necessary assistance, in the form of finance, technical personnel, etc., and not merely advice, supervision and administration, has to come from the State; hence State partnership . . . is recommended as an important feature of the reorganization that should take place.[6]

In a 1954 report, the United Nations basically agreed with this recommendation of the RCSC. The report states, "in many of the poor countries cooperatives may indeed be essential, but without firm official support and enough capital they may also be a failure."[7]

The third main feature of the integrated credit scheme proposed by the RCSC was the Crop Loan System which was previously mentioned in both Chapters III and IV. Briefly, the Crop Loan System was recommended to ensure credit was used for productive purposes. Loans under this system were to be based on anticipated harvest and not on security of land, a requirement of

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[6]Ibid., p. 533.

[7]Rural Progress through Co-operatives, United Nations, 1954 as quoted by Naidu, Farm Credit and Cooperatives, p. 114.

lending institutions prior to the work of the RCSC. While the intent was to help the economically weaker sections of rural society, the result was actually detrimental to them. As discussed in Chapter IV, the Crop Loan System ignored the consumption needs of the weaker sections and was consequently biased in favor of the larger farmers.

The final main feature of the Integration Credit Scheme, as recommended by the RCSC, is the interlinking of credit and marketing cooperatives. In the words of the RCSC, "at each center where a marketing society operates, there should be either a larger-sized primary agriculture credit society or a branch of the central co-operative bank, so that credit and marketing may be effectively linked."[8] "Linking of co-operative credit with marketing is closely allied to the crop loan system. It envisages that cooperatives should offer crop loans to the extent of the cost of production of different crops grown by the members and should recover them from the sale proceeds of the respective crops."[9] Under this

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[8]Reserve Bank of India, <u>All-India Rural Credit Survey Committee</u>, p. 559.

[9]Naidú, <u>Farm Credit and Cooperatives</u>, p. 117.

system, borrowers agree to market their surplus produce through cooperative marketing societies operating within their areas. These societies then recover from the sale proceeds of such crops the production credit dues of the members and pass them on to credit societies.[10]

> The recommendations of the Rural Credit Survey Committee were broadly accepted by the central and state governments, as well as by the general body of co-operative opinion. The State Ministers' Conference on Co-operation in April 1955 approved the basic principles and the main features of the Integrated Scheme and also decided that programmes for the development of Co-operative Credit, marketing etc., on the lines recommended should be drawn up as an integral part of the Second Five Year Plan.[11]

Unfortunately, "the integrated credit scheme has not been effectively implemented and wherever it is implemented it is done in a piece-meal fashion."[12] While the central and state governments wholeheartedly favored the integrated scheme, its successful implementation at the village level remains to be achieved on a universal basis.

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[10]Reserve Bank of India, "Contribution of Co-operative Credit to Agricultural Development in India," p. 47.

[11]Reserve Bank of India, Report of the All-India Rural Credit Review Committee, p. 27.

[12]Naidu, Farm Credit and Cooperatives, p. 118.

Multipurpose Farmer Service Societies

Although the original Raiffeisen model for primary cooperative societies was based on the multi-purpose concept, in practice the development of primary cooperatives in India had largely been confined to credit societies prior to the All-India Rural Credit Survey (RCSC) (1954). As mentioned above, the RCSC recommended the linking of credit and marketing to, among other objectives, improving the loan recovery record of the primary credit societies.

The Report of the Banking Commission (1972) took the linking of services a step farther and warned that a credit scheme alone for agricultural is self-defeating.[13] "Unless there is a package of services, input supplies and marketing, the credit given will be in jeopardy. The commission, therefore, recommended a rural banking system which, whilst giving credit directly to the farmer, will arrange for the necessary services-input supplies and marketing-through sister organizations as a package."[14] In an interim report dated December,

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[13]B. Sivaraman, "Rural Credit," Financing Agriculture 8 (October-December 1976): 29.

[14]Ibid.

1971, the National Commission on Agriculture had recommended the formation of multipurpose Farmer Service Societies.[15] As of 1979, the multipurpose principle as the model for primary cooperative societies is a matter of national policy.[16]

A significant experiment was proposed in the Draft Fifth Five Year Plan, for setting up multipurpose Farmer Service Societies.

> Arising out of the recommendations made by the National Commission on Agriculture, these societies are proposed to be set up to provide integrated credit, supplies and services in selected areas. Each society is expected to cater to a minimum population of 10,000 and may cover a community development block in full. While the membership of the society will be open to all cultivators within its jurisdiction, the control over management is required to be vested in the weaker sections who will have 2/3rd of the seats on the board of management reserved for them.[17]

The latter part of the proposal would seem to be particularly encouraging to the weaker sections.

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[15]Government of India, National Commission on Agriculture, "Interim Report on Credit Services for Small and Agricultural Labourers," in Small Farmer Credit in South Asia, A.I.D. Spring Review of Small Farmer Credit 10 (February 1973), No. SR110.

[16]See Sivaraman, "Rural Credit," p. 30, or Rahman, Genesis of Agricultural Co-operative Credit Societies in India, p. 55.

[17]Government of India, Draft Fifth Five Year Plan 1974-79, p. 82.

However, proposals and implementation are two entirely different matters. Still, the multipurpose society does seem to be the wave of the future. Commenting on the need to reorient the cooperative systems, the Draft Five Year Plan (1978-83) adopts the following objective, "Reorganization of primary agricultural credit societies into strong and viable multi-purpose units on the model of Farmers' Service Societies . . . so that farmers, artisans and self employed get all the services at one point."[18]

As of June, 1977, the number of multipurpose services societies in All-India stood at only 2,433 with a total membership of only 538,000.[19] In other words, as of June, 1977, the multipurpose societies were serving barely one-tenth of 1 percent of the rural population.[20] So while the multipurpose concept may reflect national policy, the proliferation of it has been left for the 1980s.

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[18]Government of India, Draft Five Year Plan 1978-83, p. 151.

[19]Reserve Bank of India, Statistical Statements Relating to the Co-operative Movement in India, 1976-7, Part I, Credit Societies, pp. 167 and 168.

[20]Based on an estimated rural population of 520 million.

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Special Measures for the Weaker Sections

The All-India Rural Credit Review Committee (1969) determined, as did the All-India Rural Credit Survey (1954), that the credit needs of the small farmers were not being met and that the existing network of cooperative credit was biased in favor of medium to large farmers. The committee saw a need to set up special agencies which would help small farmers in a more comprehensive manner. They realized that this recommendation took them beyond the sphere of credit. However, in reference to small farmers, the committee said, "if credit for such farmers is to be fruitful, it has to be provided as part of a wider effort to raise their economy to a surplus level."[21]

The Committee also recognized that the exact functions of such an agency would vary from one region to another depending "on the nature and magnitude of the deficiencies and handicaps experienced by the farmers in the area on the one hand and on the nature of functions

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[21]Reserve Bank of India, Report of the All-India Rural Credit Review Committee, p. 537.

undertaken by the relevant institutions in the area and their operational efficiency on the other."[22] Still, the committee did outline some broad functions[23] for the agency to engage in. The first function is to identify the small farmers in areas to be serviced by the agency. As pointed out in Chapter IV, this can be a complicated task as conditions can vary significantly from region to region. Secondly, the agency would insure small farmers are availed necessary services and supplies through existing institutions and authorities in a coordinated manner. The agency would not be expected to provide supplies and services directly, but to act as a sponsor in obtaining them. In the words of the All-India Rural Credit Review Committee, "the proposed agency should be in a position to get such activities to be undertaken by some agency or other for the benefit of the farmers."[24]

Based on the recommendations of the All-India Rural Credit Review Committee, the Government of India

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[22]Ibid., p. 584.

[23]For a complete list of these functions, see Ibid., pp. 584-586.

[24]Ibid., p. 582.

adopted the concept of setting up special agencies to meet the needs of small to marginal farmers. In 1969, a central government scheme was launched to assist small farmers, marginal farmers and agricultural laborers. It took some time before the idea could be conveyed and sold to state governments for support and implementation and, as a result, 1971-72 was the first full year of functioning for most of the projects.[25] It was during the Fourth Five Year Plan (1969-74) that the Government of India provided for the setting up of 45 Small Farmer Development Agencies in selected districts. In addition, the Fourth Plan allowed for 40 projects to help marginal farmers and landless laborers which were known as Marginal Farmer and Agricultural Laborer Projects (MFAL). The MFAL projects were mainly directed at generating "supplementary occupations and other employment opportunities."[26] However, some measures were within the sphere of land reforms.[27]

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[25]Government of India, Draft Fifth Five Year Plan 1974-79, p. 88.

[26]Government of India, Fourth Five Year Plan 1969-74, p. 151.

[27]Ibid., p. 174.

The Government of India recognized the importance of credit as one of the prerequisites for implementing the various programs for small and marginal farmers. In the draft of the Fifth Five Year Plan, the Government of India concluded that "while the volume of credit flowing to small and marginal farmers has bone up in the project areas, it has been much below the expectations."[28] With respect to SFDA/MFAL projects, the Government of India had the following to say in the draft of the Fifth Five Year Plan:

> It is proposed to continue and expand the programme limiting each project to one district and expand the coverage so as to establish 160 projects in all. The additional projects will be mainly located in states having concentration of population of small and marginal farmers and agricultural labour. These projects will be composite in character and will serve both the small farmers and marginal farmers. The beneficiaries in these projects will be restricted to farmers with land holdings up to 2 hectares and agricultural labour.[29]

In the draft of the sixth five year plan the SFDA/MFAL projects were to be integrated into a

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[28]Government of India, Draft Fifth Five Year Plan, 1974-79, p. 88.

[29]Ibid., p. 89.

larger program called Integrated Rural Development (IRD). The Government of India concluded that, "experience of various rural development programmes in earlier plans has shown that a mere project approach or a sectoral approach is not adequate to lead to an overall development of the area and distribution of benefits to local population, particularly the weaker sections of the society."[30]

While each of the five-year plans has had encouraging words for the weaker sections, the planned targets never seem to be achieved. The Draft Five Year Plan (1978-83) admits that "the share of small and marginal farmers, tenants, agricultural labourers and share croppers in cooperative as well as commercial banks lending is only about one third."[31] In order to correct this disparity, the sixth plan proposes, as previous five-year plans have similarly proposed, "the earmarking of an increasingly larger share for the weaker sections."[32]

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[30]Ibid., p. 154.

[31]Ibid., p. 151.

[32]Ibid.

Personnel and Training

As with any business organization, the primary cooperative societies need personnel with requisite skills, aptitude and competence in order to operate successfully. While commenting on the prospects of the integrated credit scheme, the All-India Rural Credit Survey Committee (1954) made note of the importance of personnel and training. Said the committee, "On few things will the success of the integrated scheme depend so much as on finding the right men and giving them the right training."[33] Unfortunately, as pointed out in the previous chapter, the lack of trained personnel, especially at the primary cooperative level, has been a major deficiency of the cooperative system. Inefficient management was cited as the cause of much of what is wrong with the movement. "The critical factor in cooperative credit today at almost all levels," said the Review Committee in 1969, "is that of competent management."[34]

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[33]Reserve Bank of India, All-India Rural Credit Survey, Report of the Committee of Direction, p. 465.

[34]Reserve Bank of India, Report of the All-India Rural Credit Review Committee, pp. 934 and 935.

One of the first steps taken by the Reserve Bank of India for improving the cooperative training structure was the establishment in 1952 of the Cooperative Training College at Poona, Maharashtra, a training center for senior staff personnel. At the end of the Second Plan (1961) "there were 13 regional centres for intermediate and block level cooperative officers and 62 cooperative training centres for junior personnel."[35] However, by the time of the All-India Rural Credit Review Committee (1969) only two more junior level training centers had been added.[36]

The Review Committee held that training facilities had been sufficient until then. However, the committee determined, as a result of the tremendous growth in demand for rural credit associated with the "green revolution," that "an increased demand for trained personnel to man the co-operative credit institutions is anticipated not only because of the larger volume of transactions of co-operative credit institutions but

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[35]Ibid., p. 953.

[36]Ibid.

also because the operations are growing more and more complex and diversified."[37] Though comprehensive and up-to-date data were not available to the review committee, they did provide the information contained in Table 7. These data illustrate that in several states as of April, 1966, there were few trained secretaries maintaining records for cooperative societies. In the words of the Review Committee, "While during the next few years about 60,000 secretaries of primary agricultural credit societies may be estimated to be required, the total number of persons trained at the 64 junior training centres in all the states (which provide training not only to secretaries of primary societies but also to other junior personnel such as supervisors, etc.) was only 7,383 during the year 1968. Considerable expansion of the training facilities at this level thus seems necessary."[38]

Although the Fourth Five Year Plan (1969-74) stated, "cooperative training centres for junior personnel will be adequately equipped for training the

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[37]Ibid., p. 956.

[38]Ibid., p. 957.

TABLE 7

AGRICULTURAL CREDIT SOCIETIES WITH TRAINED SECRETARIES

(As on 1 April 1966)

State	Total No. of Secretaries of Primary Societies	Of Whom	
		Trained	Untrained
Andhra Pradesh	13,028	130	12,898
Assam	3,789	148	3,641
Kerla	1,877	591	1,286
Mysore*	7,682	982	6,700
Tamil Nadu	10,956	496	10,460
West Bengal	12,888	363	12,525

SOURCE: Reserve Bank of India, Report of the All-India Rural Credit Review Committee (Bombay: Dr. C. D. Datey, 1969), p. 956

*Karnataka

requisite personnel,"[39] and the Draft Fifth Five Year Plan (1974-79) stated, "the cooperative training colleges and junior training centres would be intensified" and "will be suitably strengthened for this purpose,"[40] the Draft Five Year Plan (1978-83) states, "resolutions to bring in efficient management . . . have remained mostly a dead letter."[41] This suggests a failure to pay much more than "lip service" to the expansion of the training network, which by the Government of India's own words could be the pivotal factor in the success or failure of the cooperative movement. "Efficient management of the reorganized societies by professionally trained full-time paid managers/secretaries"[42] is an objective of the Draft Five Year Plan (1978-83), but as indicated above, a similar objective was part of the previous five-year plans.

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[39]Government of India, Fourth Five Year Plan 1969-74, p. 227.

[40]Government of India, Draft Fifth Five Year Plan 1974-79, p. 83.

[41]Government of India, Draft Five Year Plan 1978-83, p. 151.

[42]Ibid.

Multiagency Approach

As indicated in Chapter III, institutional sources of rural credit in India consist of cooperatives, commercial banks, and regional rural banks. In addition, it was established in Chapter IV that the cooperative network was by far the most significant and that the Government of India had decided to rely on the cooperative system as the primary source of institutional rural credit. In this vein, the Draft Five Year Plan (1978-83) states, "The main burden of providing credit would continue to be on the cooperative sector."[43] This reliance and emphasis on the cooperative network notwithstanding, the "Multiagency approach is now accepted as a policy by the Central Government."[44]

Broadly, the multiagency approach means that commercial banks and regional rural banks have the strong encouragement of the Government of India to operate at the primary level in a supplementary manner to the primary cooperative societies. This policy approach

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[43]Ibid.

[44]Reserve Bank of India, Multi-Agency Approach in Agricultural Finance, Report of the Working Group, p. 7.

developed as a result of both the quantitative and qualitative shortcomings of the cooperative network. The All-India Rural Credit Review Committee found that in many regions[45] the cooperative network was weak (these weaknesses and their causes were discussed in Chapter IV). In addition, the committee determined that the quantum of credit provided by cooperatives fell very short of meeting increasing demand.

> The committee estimated that the annual demand for short-term and medium-term agricultural credit would be about Rs 2500 crores[46] at the end of the Fourth Plan. On the other hand, the target laid down during the Fourth Five Year Plan for co-operatives was to advance Rs 750 crores only. Keeping in view the gap between the total resources of the cooperatives on the one hand and the growing demand for credit in the agricultural field on the other, the committee considered it necessary to bring agencies such as commercial banks . . . into the field of agricultural credit.[47]

In accordance with the recommendations of the RCSC, the Fourth Five Year Plan states "It has to be recognized

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[45]Especially the eastern regions and Rajasthan.

[46]One crore equals 10 million.

[47]R. D. Bedi, "Multi-Agency Approach in Agricultural Credit," in Agricultural Credit in India--An Appraisal, ed. J. Kodesia (New Delhi: World Agriculture Fair Memorial Farmers Welfare Trust Society, March 1974), pp. 61 and 62.

that with the utmost effort co-operatives may only partially meet requirements in many areas. When this happens alternative institutional arrangements with the help of the public sector or, where appropriate, the private sector organizations have to be devised."[48] The Draft Fifth Five Year Plan (1974-79) stressed the important role the commercial banks were to play as a supplement to the cooperative network,[49] and the Draft Five Year Plan (1978-83) states, "A major objective of the agricultural credit policy would be a progressive institutionalization with a multi-agency approach."[50]

The multiagency approach seemed to be the answer in filling the gap between agricultural credit needs and the capacity of the cooperative network. However, the multiagency approach was not without its problems. The Reserve Bank of India enumerated five basic problems,[51] but the central problem is one of

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[48]Government of India, Fourth Five Year Plan 1969-74.

[49]Government of India, Draft Fifth Five Year Plan 1974-79, p. 16.

[50]Government of India, Draft Five Year Plan 1979-83, p. 151.

[51]Reserve Bank of India, Multi-Agency Approach in Agricultural Finance, Report of the Working Group, p. 13.

overlapping and duplication of banking services. States the Reserve Bank,

> In regions where both co-operative and commercial bank sectors are fairly well developed, and credit resources are easily available apart from multiple financing resulting in diversion of scarce credit to unproductive uses, there has been needless competition between the commercial banks inter se, and also between commercial banks and co-operatives. . . . In an unco-ordinated multi-agency credit system where more than one credit institution conduct their operations, it results in multiple financing, and problems associated with recovery of credit. This arises because more than one credit agency will have claims on the same income/security. In a situation like this, the borrowers will try to play one agency against another. Competition between the co-operative and commercial bank sectors has another aspect; it is a competition between two different systems, the former characterized by the principles of co-operation, state patronage, local management and limited operations, and the latter based on commercial banking principles, backed by large resources, professional management and organization. At the grass-root operational level, the differences between the two systems manifest themselves in the spheres of timeliness of credit assistance, sanctioning/borrowing powers, security norms, service and supervisionsl charges, recovery performance and procedures.[52]

Solutions recommended by the Reserve Bank to the problems encountered with the multiagency approach essentially involve better coordination between agencies

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[52]Ibid., pp. 14 and 15.

and a clear definition of the respective roles of co-operatives, commercial banks and regional rural banks in any given area of operation.[53] The implementation of these recommendations will be the work of the 1980s. However, one thing seems clear at this juncture. Operation of commercial banks at the grass-roots level is a temporary measure only.[54] The long-range plan envisions only viable primary cooperatives financing the farmer directly. Of course, this plan would not rule out the financing of primary cooperative societies by commercial banks, and consequently, commercial banks will in the future play an important role in the overall scheme of rural credit.

Concluding Remarks

This study of rural credit has concerned itself with the institutionalization of the supply of rural credit in India. Since the turn of the twentieth century, there has been an effort, sometimes conscientious and concerned and sometimes haphazard and confused, to release the Indian cultivator from the clutches of

[53]For details of these recommendations, see Ibid., pp. 61-74.

[54]Ibid., p. 65 and Bedi, "Multi-Agency Approach in Agricultural Credit," p. 64.

the moneylender by institutionalizing rural credit. This attempt became all the more critical with the advent of the green revolution and the associated increase in demand for rural credit.

In this effort to institutionalize rural credit and replace the usurious moneylender, the Government of India has relied primarily on the cooperative movement. Although it has been slow in coming, progress has been made.[55] At the time of the All-India Rural Credit Survey (1954), only 5 percent of rural credit was provided by institutional sources. By 1979, this percentage was increased to 45 percent.[56] Unfortunately this progress has been uneven across India. In general, the western states, with the exception of Rajasthan, have fared better than the eastern states. More importantly, the already well-to-do have benefitted from this institutionalization more so than the weaker sections. In this regard, Gunnar Myrdal comments,

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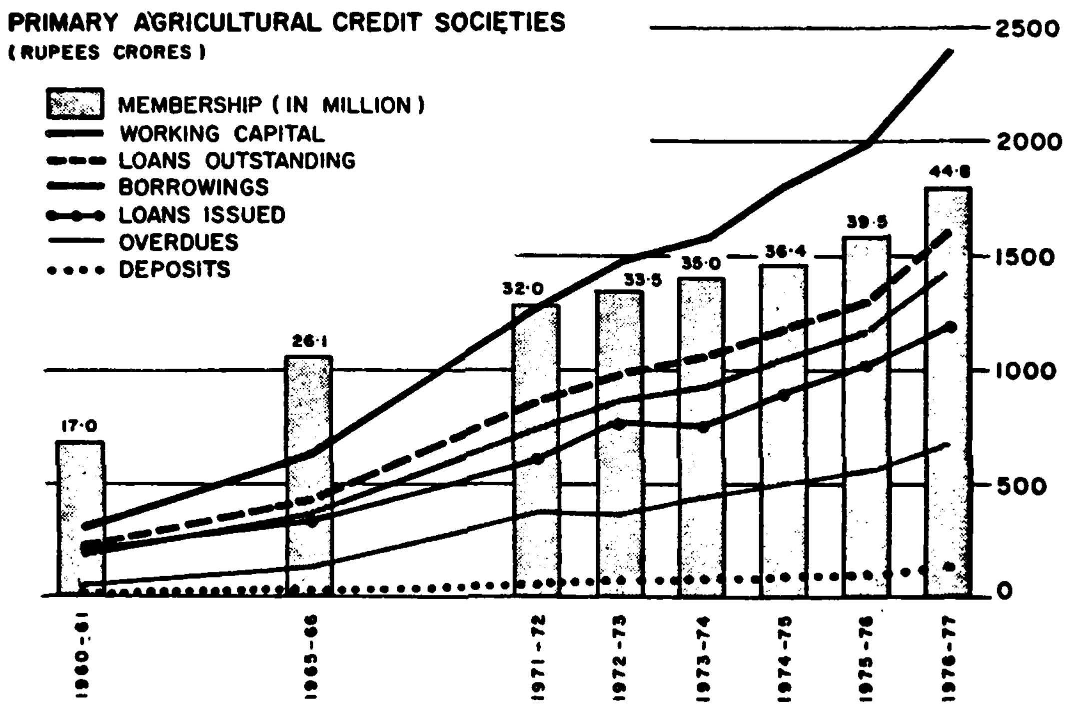
[55]See Figure 1 for chart on indicators of progress for Primary Cooperatives.

[56]Reserve Bank of India, Multi-Agency Approach in Agricultural Finance, Report of the Working Group, p. 2.



Source: Reserve Bank of India, <u>Statistical Statements Relating to the Cooperative Movement in India 1976-7, Part 1 Credit Societies</u>, p. xi.

FIGURE 1

PRIMARY AGRICULTURAL CREDIT SOCIETIES

> Government sponsorship of cooperative credit societies may be defended on the grounds that it makes capital available on attractive terms to the segment of the agrarian hierarchy that, under present circumstances,[57] is most likely to use it to raise agricultural production--though this is not the reason the program was undertaken.[58]

The cooperatives were intended to be organizations comprised of the weaker sections to benefit the weak. On this measure, the cooperatives have thus far not been very successful. The neglect of the weaker sections of rural society on the part of the cooperatives was discussed in Chapter IV. In addition, the causes of this neglect, such as restrictive membership policies and biased lending procedures, were presented. However, the real causes may be more deeply rooted and lie within the realm of institutional obstacles discussed in Chapter IV. Such factors as religious and caste prejudice and the existing agrarian structure are perhaps the "present circumstances" that Gunnar Myrdal alludes to above. In this vein, Daniel Thorner asserts,

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[57]Underline added here for emphasis.

[58]Myrdal, Asian Drama, p. 1338.

> . . . the success of rural cooperatives presupposes a modicum of social equality, political democracy, and economic viability among the villagers. These preconditions have not been present in village India and are still not present today. If the cooperative movement in India is to get anywhere, two things must happen first: (1) the power of the village oligarchs . . . must be curtailed; and (2) the Government must become an instrument of the ordinary people, and must be considered as such by the ordinary people.[59]

Numerous viable proposals have been made by individual authors, governmental agencies and international organizations concerning corrective measures that should be taken with respect to the cooperative movement. Several have been discussed here. Many have been incorporated into the successive five-year plans. In fact, each of the five-year plans has had encouraging words for the weaker sections. What is lacking is implementation at the grass-roots level.

This lack of implementation is most certainly linked to the fact that the keystone of rural political and economic power, land ownership, is by and large in the hands of the well-do-do minority. Although

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[59]Daniel Thorner, "Context for Cooperatives in Rural India," The Economic Weekly, Annual Number, February 1962, p. 259.

efforts have been made to reform the agrarian structure and make it more equitable, in this there again has been a lack of actual implementation.[60] The large landowners, who would have to give up land in a land reform or benefit less as a result of credit reforms, control the means through which reforms are implemented. In other words, as a result of their financial and political power as well as educational superiority, these large landowners control the village councils, head the primary cooperative societies and can afford to retain the best lawyers in case of litigation. To the extent that this political, social and economic structure exists and continues to perpetuate itself, little actual reform implementation can be expected. Whether and how this structure can be changed, peacefully or violently, is problematical.

An attempt has been made here to show that the provision of credit can play an important role in the

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[60]See for example Thorner, The Agrarian Prospect in India; Jannuzi, Agrarian Crisis in India; Louis J. Walinsky, ed., Agrarian Reform as Unfinished Business: The Selected Works of Wolf Ladejinsky (London: Oxford University Press, 1966), and Dorner, Land Reform and Economic Development.

development process. However, the provision of credit in an environment consisting of religious and caste prejudice and unequal distribution of land has resulted and will continue to result in large income disparities. In other words, the provision of credit alone will not lift the weaker sections above the poverty line. Other measures such as land reform, abolution of untouchability and educational schemes must be implemented as well in a holistic approach to rural development in India. In the words of Kusum Nair,

> . . . in planning for the farming community it is apparent that there cannot be any economics in isolation from sociology and social psychology. There are many causal relationships and connections between purely economic factors and social and cultural conditions which cannot be ignored or excluded from economic analysis and planning.[61]

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[61]Nair, Blossoms in the Dust, p. 194.

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V I T A

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