

**EVALUATION REPORT ON THE WORKING OF THE LARGE AND
SMALL SIZED COOPERATIVE SOCIETIES, APRIL, 1959**

1. The Study

The Conference of Community Development at Mount Abu in May, 1958 recommended a detailed study of both large sized and small sized cooperative societies so as to bring out the factual position regarding the extent of coverage of families, extent of promotion of thrift and extent credits were granted in the villages to the weaker sections. PEO undertook this study to investigate the issues referred to in the above Conference. PEO carried out two independent enquiries; the first, concerned with the structure, resources and operation of large & small societies, was confined to areas outside the Reserve Banks pilot projects. While the second dealt with the working of the integrated scheme in two areas in East Khandesh and Broach selected by Reserve Bank for its pilot project and an area in Kolhapur which the State Cooperative Bank had chosen for a similar experiment.

2. Objectives

To assess factual position regarding

- i) Extent of coverage of families,
- ii) Extent of promotion of thrift and
- iii) Extent credit granted in villages to the weaker sections by large and small sized cooperatives.
- iv) To assess the extent to which the large societies formed with active state partnership have fulfilled expectations of granting of loans for credit worthy purposes rather than to credit worthy persons and integration of crop loans with co-operative marketing.

3. Sample Size/Criteria for Selection of Sample

The enquiry relating to the first study was conducted in 18 selected blocks which had at least two large societies of the type envisaged by the Rural Credit

Survey with functioning for more than one year and some small societies operating for more than three years. Nine of these blocks were situated in the PEO evaluation Centres for Community Development and 9 were outside. In each block enquiry was confined to a single cooperative circle. In each Block, two large societies having longest operation period were chosen while five small societies were selected at random from among those working for more than three years. Thus, the sample included only 33 large and 84 small societies.

4. . Reference Period

The study was conducted during July-August,1958 and the data were collected for the years 1956-58.

5. Main Findings

A. Societies outside the area of the Reserve Bank's Pilot Projects

1. The large societies were all organised on the basis of limited liability , while in the majority of the small societies the individual members liability was unlimited.

2. Twenty out of the 33 large societies covered by the present study had received government contribution amounting to 28.4 per cent of their share capital. No such aid had been extended to the small societies.

3. Almost all large societies had full time paid secretaries whereas only about 30% of the small societies had such executives. The Secretaries and Presidents of the large units were more educated than their counterparts in the smaller societies.

4. Neither category of society had covered even a fourth of the households in their jurisdiction.

5. The large societies attracted the landless workers much more than the smaller society.

6. The principles followed in fixing the Maximum credit limit (M.C.L.) of members varied from area to area. In a number of blocks the M.C.L. was higher for members of large societies than of the small ones.

7. Though during the two years 1957 and 1958, the proportion of members receiving loans from both the categories of societies remained more or less the same, the amount, per member receiving loan from the large societies was some what higher.

8. The large societies had about six times as much fund as the small and they lent out a higher proportion of the same.

9. The large societies were able to attract more deposits than the small.

10. Both the categories of societies depended largely on aid from outside. But while the small society received that aid entirely in the form of loans from the Central Bank on which it had to pay interest, the large society got considerable help in the form of state contribution to its share capital.

11. The departmental staff, the supervisors of the Central Banks as well as Secretaries, the members of the executive or supervisory Committees had given small attention and time to supervising the use of loans by the borrowers.

B. Working of integrated Rural Credit Scheme in Bombay State

The Reserve Bank started a 'Pilot Project' of integrated Rural Credit' in Broach and East Khandesh in October 1955 and the Bombay State Co-operative Bank initiated its scheme in Kolhapur with the following main features.

i) Formation of large multipurpose societies, covering compact groups of villages with reasonable membership, share capital and business projects.

ii) Extension of as much rural credit as possible through co-operatives.

iii) Effective linking of credit with cultivation expenses and marketing.

iv) Strengthening of the co-operative structure through effective state partnership at different levels.

v) Construction of godowns for storage.

vi) Organisation of co-operative processing societies.

Kolhapur was not selected by the Reserve Bank for pilot projects - but the progressive Bombay State Co-operative Bank inaugurated a more or less similar system.

The main features were as under;

1. The difference between the rates for dry and irrigated crops, was partly, based upon the difference in their costs of production. As in Broach, the amount was given in three instalments. The second instalment was given in kind, in the form of manures and fertilizers. The instalments were adjusted to the requirement over time, of the production process. In Kolhapur different rates were fixed for different crops in accordance with their production expenses which was a superior practice.

2. The usual practice of cooperative societies in fixing loan rates was to differentiate between tenant cultivators and owner cultivators. The practice was prevalent in East Khandesh, where loans were available to the owner cultivators at normal rates but the tenent cultivator could get them only upto a maximum of 4 times the land revenue of the land taken on rent. On the other **hand** no such distinction was made in Broach or in Kolhapur. Loans were available to all cultivators at same rate and on the same conditions.

3. The working of the Reserve Bank pilot projects revealed two important problems of overlapping. First, while it was generally accepted that production credit should be given to cultivators and others exclusively through primary cooperatives, in Broach till **very** recently, the marketing cooperatives too had been participating in this business and getting credit from the district Central Bank on the basis of their loan statements. Another situation in which the two institutions overlapped in their functioning was where primary society took up marketing. In Broach a large number of multipurpose societies were engaged in marketing. This practice continued even though it was agreed in principle by all concerned to stop this practice.

4. The quality of inspection of the societies in the pilot projects varied greatly. Moreover, the inspection was also not frequent enough.

5. The data on the extent and timeliness of repayment revealed that on 30th June, 1958, the overdues of the large societies and the small societies were 15.5 per cent and 17.9 per cent respectively on the amount outstanding. The percentage of loans overdue for more than a year of the large society was less than half of that of the small society.

6. Only about 23 per cent of the total produce of the cultivators was marketed through cooperative agencies.

7. The large society had a better record than the small in respect of overdues. On the other hand, out of the total loans repaid, higher percentage was repaid within due date in the case of small society.

8 Though local supervisory Committees had been recommended for large societies which covered a large number of villages, only three centres out of 18 reported the existence of such committees and only at one centre, (i.e. Goverdhan, U.P.) some useful work had been done.