REPORT OF THE

WORKING GROUP ON

AGRICULTURAL CREDIT, COOPERATION AND CROP INSURANCE

FOR FORMULATION OF THE

TENTH FIVE YEAR PLAN (2002-2007)

FOREWORD

In India, the process of development through planning was initiated in the year 1950-51. Since then, each plan has taken into account the new developments, possibilities and constraints faced during the period and attempted to achieve the objectives of growth, employment, self reliance and social justice. The 9th Five Year Plan has witnessed significant progress by way of economic and financial sector reforms that have had a significant impact on the growth in the agriculture and allied sectors of the economy. The recently announced National Agricultural Policy is also expected to make an impact on these sectors in the coming years. In order to formulate appropriate strategies for sustainable agricultural development in the next 10th Five Year Plan, the Working Group on Agricultural Credit , Cooperation and Crop Insurance was constituted by the Planning Commission vide its order dated 16th November, 2000 for formulation of the 10th Five Year Plan. Broadly speaking, the terms of reference of the Working Group included review of the flow of credit and credit needs of agricultural sector, role of cooperative movement in the economic development of the country and the status of Agricultural Insurance Scheme and suggest measures for meeting the needs of the farming community more effectively during the 10th Plan period.

2. In view of the vast spectrum of the terms of reference, the Working Group constituted the following five Task Forces so that detailed and analytical deliberations could be facilitated on each of the important area to be covered by the Group.

TF 1	:	Institutional Development of Credit Cooperatives, RRBs And Commercial Banks.
TF 2	:	Institutional Credit(All Cooperative Credit).
TF 3	:	Revitalisation of Non-Credit Cooperatives.
TF 4	:	Crop Insurance.
TF 5	:	Human Resource Development of Cooperatives and RRBs.

The composition of the Working Group and Task Forces alongwith their terms of reference are given under Section 2: Appendices of the Report.

3. The Working Group held its five meetings on 10th Jan, 18th Jan, 29th May, 9th June and 10th July, 2001. In the first meeting, the Group deliberated on the terms of reference and decided the strategy to complete the task. It also decided to constitute five Task Forces and Coopt six members from concerned organisations so that their rich knowledge and experience would also be available to the Group. The second meeting finalised the constitution of all the five Task Forces and their terms of reference as also the members to be coopted in the Working Group. In the third meeting, all the Reports of the Task Forces were presented and detailed deliberations on each of the Report were held. The fourth meeting considered the Draft Report of the Working Group which was prepared in the light of the reports of the Task Forces and the deliberations of the third meeting. The Report of the Group was considered and approved in the 5th meeting.

4. I am grateful to all the Hon`ble members of the Working Group and Task Forces for their active participation in the deliberations and most valuable contribution to make this Report possible. I wish to place on record my deep appreciation of the great efforts of the Chairman of the Task Forces viz. S/Shri B.S. Vishwanathan, Former President, NCUI, Y.C.Nanda, C.M.D. NABARD, P.K. Mishra, M.D., NCDC, D.Sengupta, Chairman, GIC and K.S. Bhoria, Joint Secretary, GOI in finalising their well considered reports within the time frame given to them. I am happy to acknowledge the valuable contribution made by the Member Secretary of the Working Group Shri K.S. Bhoria, Joint Secretary, Ministry of Agriculture and his team of officers including Sh. S.K. Anand, Dy. Commissioner and Sh. S.D. Chopra former Dy. Commissioner associated with the Working Group. I also appreciate Sh. Bhagwati Prasad, Chief Executive, Sh. D.P. Neb, Sr. Consultant, and Dr. K.A. Thambi, Executive Director, NCUI for their valuable support in the organisation of the meetings of the Working Group/Task Forces and bringing out the Report.

Dr.S.S. Sisodia,
Chairman Working
Group On Agril
Credit, Cooperation and Crop Insurance.

Place : New Delhi
Date: 14 July, 2001

REPORT OF THE WORKING GROUP ON AGRICULTURAL CREDIT, COOPERATION AND CROP INSURANCE FOR FORMULATION OF THE TENTH FIVE YEAR PLAN (2002-2007)

LIST OF ABBREVIATIONS

AACS	As Applicable to Cooperative Societies
ACRC	Agricultural Credit Review Committee
ACSTI	Agricultural Cooperative Staff Training Institute
AI	Artificial Insemination
ARDBs	Agriculture and Rural Development Banks
BDP	Business Development Plan
BIRD	Bankers Institute of Rural Development
BR Act	Banking Regulation Act
CACP	Commission on Agriculture Costs and Prices
CBs	Commercial Banks
CDF	Cooperative Development Fund
CICTAB	Centre for International Cooperation and Training in Agricultural Banking
DAP	Development Action Plan
DCCBs	District Central Cooperative Banks
DFI	Development Financial Institutions
DOAC	Department of Agriculture & Cooperation
FDI	Foreign Direct Investment
FSS	Farmers' Service Society
FS/NFS	Farm Sector/Non Farm Sector
GCF	Gross Capital Formation
GDP	Gross Domestic Product
GOI	Government of India

HRD	Human Resource Development
ICDP	Integrated Cooperative Development Programme
ICOR	Incremental Capital Output Ratio
MOA	Ministry of Agriculture
MOF	Ministry of Finance
MOU	Memorandum of Understanding
MT	Metric Tonnes
MT/LT	Medium Term/Long Term
NABARD	National Bank for Agriculture and Rural Development
NAFED	National Agricultural Cooperative Marketing Federation of India Ltd
NAIS	National Agricultural Insurance Scheme
NAFSCOB	National Federation of State Cooperative Banks
NAP	National Agriculture Policy
NCARDBF	National Cooperative Agriculture and Rural Development Banks Federation
NCCE	National Centre for Cooperative Education
NCCF	National Consumer Cooperatives Federation
NCCT	National Council for Cooperative Training
NCDC	National Cooperative Development Corporation
NCUI	National Cooperative Union of India
NPA	Non Performing Assts
PACS	Primary Agricultural Credit Societies
PAMS	Primary Agricultural Marketing Societies
PLDBs	Primary land development bank

PLPs	Potential linked credit plans
PRI	Panchayati Raj institutions
RBI	Reserve bank of india
RCS	Registrar of Cooperative Societies
RFI	Rural Financial Institution
RRB	Regional Rural Bank
SCARDBs	State Bank Cooperative Agricultural And Rural Development Banks
SCBs	State Cooperative Banks
SC/ST	Scheduled Caste/Scheduled Tribe
SF/MF	Small Farmers/ Marginal Farmers
SHG	Self Help Group
SIDBI	Small Scale Industries Development Bank of India
SLR	Statutory Liquity Ratio
ST	Short Term
VAMNICOM	Vaikunth Mehta National Institute Of Cooperative Management
WTO	World Trade Organisation
QR	Quantitative Restrictions

INTRODUCTION

1. Agriculture is of paramount importance to the economy of our country, not only because it gives direct employment to 2/3rd of our population but also because it is a provider of food, clothing, fodder and other basic necessities of life for the entire population. It also provides vital raw-material for our industry. Agriculture, therefore, is and will continue to be central to all strategies for planned social economic development of the country. Rapid growth of agriculture is essential not only to achieve self-reliance at national level but also for household food security and to tackle the problems of poverty, unemployment and environmental degration.

2. Indian agriculture has since independence made rapid strides. The annual food grains production has increased from 51 million tonnes in the fifties to 209 million tonnes by the end of the year 2000. The pattern of growth of agriculture has, however, brought it its wake uneven development across the regions and crops as also across different sections of farming community and is characterized by low levels of productivity and high cost of production. The growth rate in agricultural production since independence has been only of the order of 2.6%. The growth rate during the 90's declined to 2.35% as compared to the growth rate of 3.7% in the 80's.

3. In the past few decades, credit has played a very important catalytic role in supporting agricultural production and investment activities. The flow of agricultural credit has increased tremendously in quantitative terms. The IX Five Fear Plan envisaged the annual compound growth rate of 16.1% in the agricultural credit. The total agricultural credit has increased from Rs.26,411 crores during 1996-97, the terminal year of the 8th plan to Rs.44,612 crores in 1999-2000 and to Rs.53,504 crores (projected) during 2000-01. The projection for the terminal year of 9th plan is around Rs.66,771 crores. Although the flow of agriculture has increased, the increasing demand of capital formation in agriculture and the daunting task facing the revamping the agricultural credit structure would continue to attract attention during the 10th five year plan as well. The National Agriculture Policy pronounced by the Govt. of India recently envisages the growth rate of 4% per annum in agriculture sector. This would require the proportionate increase in the agricultural credit which would in turn require the revitalization and strengthening of the credit delivery system.

4. The Working Group on Agricultural Credit, Cooperation and Crop Insurance was constituted by Planning Commission on 16th November, 2000 under the Chairmanship of Dr.

S.S. Sisodia, President, National Cooperative Union of India for formulation of the report on the credit requirement and suggesting strategic measures for strengthening the Cooperative Structure as also Crop Insurance during the Tenth Five Year Plan Period with broad terms of reference covering a large spectrum encompassing the factors affecting the agricultural credit, strategies to accelerate the flow of credit to meet the investment requirement of Agriculture, evolving strategies for development of the weaker sections of the farming community, besides reviewing the health and efficacy of the cooperative credit structure with special reference to the impact of the economic reforms and suggesting ways and means to make them viable institutions. The term of reference also include suggestion of appropriate strategies for enhancing the flow of the Agricultural Credit in backward areas like the North Eastern Region, review of the performance of the ongoing plan schemes, recommendations and measures for human resource development in the cooperatives and formulation of suitable programmes and schemes with outlay for the Tenth Plan highlighting polices, objectives, strategies and linkage support.

5. Against this background the Working Group (WG) was constituted with 25 members including 5 co-opted members to address to the tasks assigned by the Planning Commission. The WG in turn constituted 5 Task Forces (TFs), viz. i)Agricultural Credit ii)Institutional Development of Credit Cooperatives, RRBs and Commercial Banks iii) Revitalisation of Non-Credit cooperatives iv) HRD of Cooperatives v) Crop Insurance, with experts in the respective fields for carrying out the assignment. The report of the WG has been presented in eleven chapters based on the detailed analysis and recommendations made by each of the Task Force.

6. In view of the facts stated in the foregoing paragraphs the Working Group feels that the timely and adequate availability of credit, a production cum marketing credit package, credit requirement of rainfed farming, horticulture , agro-processing, agri business etc. sustainability and competitiveness of agriculture in the context of WTO scenario, the revitalization and strengthening of cooperative credit system, democratisation and professionalisation and efficiency of the cooperative societies, human resource development in the cooperatives would be requiring focus during the Tenth Five Year Plan.

EXECUTIVE SUMMARY AND RECOMMENDATIONS

A summary of the major recommendations /observations of the Working Group is presented in the following paragraphs.

1. OVERVIEW OF AGRICULTURE AND ALLIED SECTOR

1.1 Status of Agriculture:

Agriculture continues to be an important sector of the economy with a 26.8% share of the Gross Domestic Produce (GDP). Its contribution in terms of providing employment to nearly two third of the work force has been critical in maintaining livelihoods especially in the rural areas. The planned approach to development has helped the country to reach a stage where the country is self sufficient in food grains and has a comfortable buffer stock. These achievements have been possible mainly through the favourable policy framework. The policy of Indian Agriculture was to achieve food security by providing incentive for growth alongwith equitable access to food. As a result terrible famines have become events of the past and the agricultural production does not show large variation even in the event of adverse climatic condition. It is, however, revealed that the growth rate of agricultural production declined from 3.72% in eighties to 2.35% in the nineties indicating towards the need of sustainability in agriculture. Indian agriculture is still beset with problems like inadequate capital formation, low productivity, high cost of production, uneven growth etc. **(Para 1.1.5)**

1.2 Economic Reforms and Agriculture

1.2.1 India initiated the process of economic reforms in 1991 in response to the changes in the external and internal economic environment. The major objectives of economic reforms were market orientation of the economy, increasing private sector initiative, improving efficiency in Government spending, enhancing export competitiveness, foreign capital inflow, stabilizing balance of payment and revamping many sectors of the economy such as Industry, Trade, Finance, Infrastructure etc. The response of the economy to the reform efforts has been both positive and not so positive in different sectors. Not many reforms were initiated in the agriculture sector on account of the perception that in the early phase of reforms, food security and agricultural growth should be maintained. Reforms, on account of unexpected consequences that they might produce should not be allowed to threaten food security. The agriculture sector has seen very little direct reform efforts though the rest of the economy has been undergoing reforms and restructuring. But the reforms in the other sector have had an impact on the agriculture sector. The changes brought about in the monetary policy, banking policy, credit policy, trade policy, exchange rate policy and the like have had different effects on agriculture sector. **(Para 1.2)**

1.3 Problems faced by Agriculture Sector

1.3.1 Though not many direct reform initiatives have been taken for the sector, the indices of terms of trade between agriculture and non agricultural sector showed that it has moved somewhat against agriculture. The indices showed an improvement in terms of trade in favour of agriculture during the period 1980-81 to 1990-91 which improved from 82.9 to90.0 and further to 91.7 during 1990-91 to 1994-95. However, during 1994-95 to 1997-98 it moved down to 88.5. **(Para 1.4)**

1.3.2 The target of IX Plan could not be achieved as the growth rate of Agricultural Production declined to 2.35% per annum as compared to 3.72% achieved during the eighties. Agriculture in India has been the preserve of small and marginal farmers necessitating the need of taking policy incentives on land holdings consolidation and land reforms and also to safeguard the interests of the tenant farmers and the share croppers. There is an urgent need for improvement in technology and farming methods so that production rises to higher levels by the end of Xth Plan. The profitability of the agriculture has also declined on account of yields and market prices failing to keep pace with rising input costs. **(Para 1.4.10)**

1.3.3 .The overall growth in capital formation in agriculture has been inconsistent with the share of public sector showing a negative growth rate of 0.22%. The State Governments did not allocate sufficient funds for agriculture and rural development. There is a need to have long term agricultural trade policy to induce investments necessary for production and processing technologies consistent with international markets. **(Para 1.4.11)**

1.4 Role of Credit

1.4.1 Credit is a key factor in agricultural development. In the context of technological upgradation and commercialisation of agriculture which is envisaged in the coming years, it is necessary that credit support to agricultural sector is stepped up considerably. It may be appropriate here to point out that the ratio of inputs to outputs in agriculture has been a constant 0.25 over the last six years from 1990-91. Bank credit to agriculture was 15.6, 15.6 and 15.2% of gross bank credit on the last day of March, 1998, 1999 and 2000 respectively, while the contribution of agriculture to GDP has been of the order of 29.0, 29.0 and 26.8% respectively. A comparison with the flow of credit to industry shows the substantially large flows to the manufacturing, mining and industrial sector. **(Para 2.1)**

1.5 During the VIII Five year plan agricultural credit flow was projected at Rs.133358 crore against which the achievement was Rs.98850 crore. Further the flow of ground level credit to agriculture sector has been registering a positive growth rate and increased to Rs.26411 crore during 1996-97, the terminal year of VIII five year plan. The annual compound growth rate in agricultural credit envisaged during the IX plan was 16.1%. However the actual annual growth rate during the first three years of the plan has been quite good and it fluctuated from 21% during 1997-98 to 15% in 1998-99 and again improving to 21% during 1999-2000. By the end of IX Five year plan the compounded annual growth rate is expected to be around 20.3%. **(See Annexure-II). (Para 2.2.1)**

2. Review Of Agricultural Credit During IX Plan

2.1 The rural credit structure in the country comprises of institutions in the formal and informal sectors. Among the formal institutions, the commercial banks have during the last few years emerged as a major player in agriculture credit (about 50%) followed by the cooperatives (about 43%) and the RRBs (about 7%). However, in case of commercial banks direct agriculture advances formed only 11.8% of net bank credit as on last Friday of March 2000. In the case of RRBs, the investment deposit ratios have been very unsatisfactory reflecting lack of interest in loaning which was one of the basic objectives for which they were formed. While some of the cooperative banks are functioning well, the cooperative credit structure in general faces wide ranging problems like resource crunch, mis-management, poor governance, low level of member participation, lack of credit discipline, high level of erosion of net worth and lack of professionalism in the banks. The long term structure in many states is finding it increasingly difficult to carry on business with almost no deposit base and needs restructuring. **(Para 2.1)**

2.2 Agency wise analysis indicates that the share of Cooperative Banks in the ground level credit for agriculture and allied activities has been declining. Details given in **Annexure-III**. It declined from 45% in 1996-97, the terminal year of VIIIth Plan to an estimate of 41% during 2000-2001. The decline has been uniform under both production credit and investment credit. The compound growth rate of credit has been consistent and increased from 9.5% during 1997-98 to 15% in 1998-99 and to 18.6% in 1999-2000. The share of long term structure was around 22% of credit flow through the cooperative structure but the compound growth rate, though positive has been declining from 15.78% in 1997-98 over 1996-97 to 14.9% in 1998-99 to 11.2% in 1999-2000. **(Para 2.3)**

3. Potentials Of Credit Requirements

3.1 Production Credit

The production credit requirements for farming have been growing rapidly. Production credit as a proportion of purchased inputs was a little over 40% in 95-96 and needs to be stepped up significantly. Commercialisation of agriculture and diversification has increased the credit intensity of production operations. To fulfill the production credit needs an overhaul of the system of fixing scales of finance is needed. Restrictions on individual's maximum borrowing have to be removed. Innovations in delivery mechanism and procedures such as the Kisan Credit Card should be increasingly adopted. Crop diversification should be supported with emphasis on strategic crops like oilseeds and fodder crops for the animal husbandry sector. **(Para 3.1)**

3.2 Plantation And Horticulture

Being the second largest producer of horticultural crops, India is in a position to supply to the global market. It has to overcome infrastructure constraints, shortage of planting material and lack of post harvest management facilities to become a credible exporter. The emphasis should be on avoidance of wastage and spoilage of crops through appropriate post harvest procedures, packing and storage. Specialised transport and storage arrangements should become part of the chain from farm to market. The acerage under horticulture crops could be increased by bringing wasteland into cultivation. Product specific strategies would be needed to enhance export competitiveness. **(Para 3.2.3.)**

3.3 Fisheries

Future potential for growth in fisheries lies in deep sea and inland fisheries. The coastal fisheries have reached their plateau in terms of production potential. A sound aquaculture policy which ensures environmental sustainability with equity is necessary to ensure credit continued support through banks. In inland fisheries, policy on leasing of water bodies by governments and PRIs needs to be reviewed and long term leases which attract credit support should be made the norm. Processsing and storage facilities for fish need to be upgraded to provide better price realisation for fishermen. **(Para 3.2.5.)**

3.4 Agro processing

The access to a global market in recent times cannot be fully exploited unless investments take place in value addition Agro processing industry has a significant role to play in value addition. Apart from improving shelf life through appropriate packing and grading efforts at establishing brand names could augment revenues for the Indian farmers. Availability of technology could be a constraint. Import of technology should be allowed without restrictions for the purpose. **(Para 3.2.9.)**

3.5 North Eastern Region and Hilly Areas

The North Eastern Region accounts for around 4% of the total population of the country. Nearly 34% of the working population in the region is engaged in agriculture. The region receives heavy rainfall with annual precipitation being more than 1000 m.m. and the net irrigated area is around 22% of the net sown area as against the corresponding national average of 32%. Productivity of foodgrains is however far below the national average.

While traditional method of cultivation is prevalent in the plains of the region Jhum cultivation is prevalent in the hilly areas. Mono cropping is largely prevalent in the entire area. **(Para 3.3)**

3.6 Small Farmers/Marginal Farmers (SF / MF)

Agriculture in India has been the preserve of small and marginal farmers. In terms of number of holdings, the small and marginal farmers (less than 2 ha. land) account for 78% of the holdings in 1990-91. In 1960-61, these categories accounted for only 63% of the number of holdings. In terms of area, small and marginal farmers holdings accounted for 32.2% of area operated (90-91) which is higher compared to 18.9% in 1960-61. The average size of holdings across all categories of farmers was 1.57 ha. in 1990-91 which is substantially lower than the average holdings of 2.69 ha. in 1960-61. However, access of SF/MF to credit is limited due to several institutional and non-institutional factors. **(Para 3.3.3.)**

3.7 Scheduled Castes/Scheduled Tribes

Since Independence development of Scheduled Castes / Scheduled Tribes (SC / ST) has been one of the most important priorities of the Government of India. According to 1991 Census, SCs account for 138.23 million (16.5 percent), STs 67.76 million (8.1 percent) and Minorities 145.31 million (17.2 percent). The incidence of poverty among SC/ST population is much higher than the average for the country as a whole. Nearly half of the SC population (48.4%) and 51.1% of the ST population live Below the Poverty Line (BPL) (as per 1993-94 estimate) as against 35.9% of the total population deemed to be poor. These disadvantaged groups depend mainly on low paid and what are generally considered 'degrading' jobs which barely support their existence. The strategy to be adopted for upliftment of these categories of people should focus both on economic and social empowerment. **(Para 3.4)**

3.8 Women Development

Women constitute nearly half of the population of the world and make up one-third of the labour force. In India, women and children who represent 67.7% of the country's total population should constitute the most important target groups for the development of the country. Over a span of nearly nine decades, though, the literacy level of women has increased from 0.6% percent to 39.19 percent, a majority of the women are still illiterate, without having any access to property and credit. Therefore, for the overall upliftment and economic independence, it is very important to facilitate their entry into income generating economic activities through provision of education, empowerment and entitlement to properties. **(Para 3.5)**

4. Projections For Agricultural Credit

4.1 The total credit requirement as per macro estimate has been worked out at Rs.616957 crore of which Rs.312809 crore is for short term credit and Rs.304148 crore for long term. The compounded annual growth rate in credit flow during the X Plan period works out to around 23% which is higher than the IX Plan estimate of 16.1%. But this estimates when adjusted for current prices, rises to Rs.736570 crore. **(Annexure-V). (Para 4.2.6.)**

4.2 Since the growth trends of past have a relevance for examining the practicability of achievement of any targets that may be set, the IX Five Year Plan trends were analysed and based on the same the projections were made. The projections worked out to around Rs.601425 crore. **(Annexure-VI). (Para 4.3)**

4.3 NABARD prepares Potential Linked credit Plans for each district in the country based on the ground level demand and feasibility of commissioning investments. These projections aggregated at the national level were analysed for the IX Plan period. The trend in projections based on the same were worked out and it is estimated that Rs.618311 crore could be forecast as the credit flow during the X Plan. **(Annexure-VII). (Para 4.3.1.)**

4.4 The total credit flow found feasible from the point of view of institutional capacity is of the order of Rs.629767 crore over the X Plan period which is Rs.12810 crore (2.1%) higher than the estimates based on macro level indicators. However, the institutional capacity if lower than macro estimates adjusted for current prices at Rs.736570 crore. While assessing the capacity of cooperatives, state-wise analysis of their past trends in deposits and advances, growth in proportion of credit flow for agriculture sector and likely improvements in their operation have been taken into account to estimate the volume of credit that they could handle. The total volume of credit flow through cooperative banks both in the short term and long term structure has been worked out at Rs.271129 crore which is 42% share of credit flow during X Plan. **(Annexure-VIII). (Para 4.5 and 4.5.1.)**

4.5 The statement showing relationships between foodgrain productivity, net irrigated area, credit and govt. expenditure on agriculture and allied activities is given in **Annexure – IX.** In respect of Investment Credit, the credit demand and potentials were assessed by technical experts based on the growth prospects of different sub- sector. This estimates works out to Rs.236376 crore. **(Annexure-X).**

4.6 A comparative table containing credit flow projections based on five different models of assessment is furnished in **(Annexure XI).**

4.7 The macro level estimates made at 2.8 Incremental Capital Output Ratio (ICOR) at a growth rate of 4% in agriculture seems reasonable and may be adopted for the X Plan purposes. Credit flow required in real terms to achieve the X Plan growth targets under the macro estimates of the order of Rs.736570 crore at current prices. The comparative chart of different projection for agricultural credit for X Five Year Plan period is given in **Annexure-V. (Para 4.6)**

5. Review Of The Working Of The Financial Institutions

5.1 As per the All-India Credit Survey 1991, the share of the institutional credit in the total credit flow in the country was around 62% which was an improvement over the previous performance of 7.3% in 1951. The Agricultural credit is purveyed through the multi-agency network of commercial banks, regional rural banks and cooperative banks. After nationalization, the public sector banks have come to play a very important role in the disbursal of rural credit. The Regional Rural Banks were established as states sponsored low cost rural credit institutions to accelerate the flow of institutional credit to the rural banks. The cooperative banks have been playing the leading role in the disbursement of production credit and have been instrumental in boosting the agricultural production and achieving the self-sufficiency and food security. **(Annexure – III) (Para 5.1)**

5.2 In terms of network, coverage and out-reach, cooperatives account for about 43% share in credit flow for agriculture, 31% rural deposits and cover 4.40 crores borrowing members. The cooperative banks account for about 50% of the total loan amount estimated to have gone to small and marginal farmers. However, the cooperative banks are now faced with serious financial, operational, management and governance problems. In view of their critical role in agricultural production the financial strengthening and institutional reforms are required immediately. **(Para 5.3.3.)**

5.3 The commercial banks over a period have come to play an important role in the rural credit system. The credit flow for agriculture and allied activities increased from Rs. 12783 crore in 1996-97 to Rs. 21913 crore in 1999-2000. The deposits and recovery also increased. However, the commercial banks still consider agriculture as a risky area and do not fulfill the obligation of 18% lending to the agricultural sector as targetted. The financial recapitalisation of these banks has already taken place and they have now enhanced role and vast potential to increase their share in the agricultural credit to meet the targets of Xth Plan. Likewise, the RRBs have been recently recapitalised. However, their share in agricultural credit is stagnant at around 7% of the total. The Group envisages a far greater role for the RRBs during the Xth Plan by way of a step up of 15% in their credit deposit ratio. **(Para 5.9.4.)**

6. Institutional Development Initiatives

6.1 The rural credit strategy in the country has been founded on the philosophy of "growth and equity". Financial viability and bankability of the investments were the major planks in which bank credit was made available. Various measures like administer interest rates, setting targets of lending to the agricultural sector, coupled with availability of refinance to the banks at softer terms, had helped in increasing the flow of credit. **(Para 6.3)**

6.2 Recognising that the nationalised banks need to augment their capital base to cope up with the changing operational environment, the government has undertaken recapitalisation of the nationalised banks. The Government had contributed an aggregate amount of Rs. 20,446.12 crore towards recapitalisation of nationalised banks. **(Para 6.5.3.)**

6.3 With a view to strengthening the Cooperative Banks and RRBs and keep them as a viable units on sustainable basis, in addition to recapitalisation of RRBs, the system of preparing Development Action Plans (DAPs) and entering into Memorandum of Understanding (MoU) with the concerned agencies was launched in 1993-94. The performance obligations arising out of DAP form the basis of the Memorandum of Understanding (MoU). While the RRBs enter into MoUs with sponsor banks, cooperatives enter into MoU with the Apex bank, State Govt. and NABARD. **(Para 6.5.8)**

6.4 The Agricultural Credit Review Committee (ACRC) under the Chairmanship of Dr. A.M. Khusro made wide ranging recommendations for improving the quality of credit and strengthening its efficiency and effectiveness. In view of the structural weaknesses, revamping of credit cooperatives was suggested. Government also initiated a number of measures based on the recommendations of the Committee on Financial System (Chairman : Sh. M. Narasimham). The financial sector reform constituted interest rate deregulation, prudential norms, transparency, risk management and institutional reforms. These reforms measures were gradually extended to Cooperative Banks and RRBs from 1996-97. **(Para 6.5 and 6.5.2.)**

7. Future Institutional Development Strategies

7.1 The cooperative banks which suffer from the dependency syndrome need to be converted into self-reliant efficiently managed and vibrant enterprises to serve the rural masses and the agricultural sector in a better way. Under the prevailing economic scenario of liberalization & globalisation, the cooperatives have to be strong enough to compete in the open market. For the success of the cooperatives a multi-pronged approach of legislative and policy initiatives and financial restructuring is urgently required. **(Para 7.7.1.)**

7.2 The cooperatives are basically economic enterprises requiring appropriate legislation and policy support aimed at creation of an environment conducive to their healthy development. Chowdhary Brahm Perkash Committee appointed by the Planning Commission had suggested a Model Cooperative Law which has not been adopted so far and provisions continue to remain in the cooperative laws which hinder the development of these institutions. The Group recommends the enforcement of Model Cooperative Law immediately instead of having parallel laws for the self-reliant cooperatives. **(Para 7.8.1.)**

7.3 Most of the cooperatives are facing the problem of resource crunch because of the low resource base and poor recovery of their loans resulting in high degree of overdues and NPAs. The Group recommends for an effective mechanism of recovery of cooperative dues through special Cooperative Loans Recovery Tribunals. **(Para 7.8.4.)**

7.4 The cooperatives urgently need organizational reforms. There is a feeling that the 3-tier structure of the credit cooperatives and the separate ST & LT structures tend to increase the cost of management and burden thereof on the farmers. The Group felt that the State Governments and the Federations should jointly take the decision to suit their local conditions and requirements. The Group also feels that immediate measures should be taken for amalgamation/merger of the primary level cooperative banks and also winding up of defunct institutions. **(Para 7.9.1.)**

7.5 The Groups feels that cooperative federations need to assume more responsibilities of promotion, guidance, information, etc. towards their affiliate members. There should be a system of integrated cooperative structure where the higher tier should promote the lower tier instead of competing with it. The federations should also undertake the responsibility of ensuring timely conduct of elections, general body meetings and audit, etc. with punitive measures for the defaulters. The dormant membership and the absence of active participation of members in the mangement have not only resulted in sickness but also encouraged the dominance of vested interests in the control of the cooperatives. The Group therefore, recommends greater participation of the members in the management of the cooperatives by promoting the concept of user members. **(Para 7.9.3 and 7.9.6.)**

7.6 All the State Cooperative Banks and the District Central Cooperative Banks which fulfil the norms and criteria laid down by the RBI should be given scheduled status to enable them to accept deposits from the government departments and other statutory bodies. The banking functions to be regulated by the RBI/NABARD and the mangement/administrative functions discharged by the government/RCS should be clearly defined so as to obviate any chances of overlapping and duality of control. **(Para 7.9.7.)**

7.7 The recapitalisation and revamping of the cooperative credit institutions is absolutely essential. The functioning of these institutions with serious financial weaknesses is inconsistent with the objective of transforming them into strong viable and self-sustaining institutions. The recapitalisation requirement for cleansing the balancesheets of these banks was estimated to be around 7200 crores in 1994-95. There is a strong demand from the cooperative sector that the cooperative banks should also be recapitalised on the pattern of commercial banks and RRBs. The Group suggests that the recommendations of the Jagdish Capoor Committee should be implemented immediately, may be by making suitable modifications in the recommendations as per the financial and feasibility requirements of these institutions. **(Para 7.10.1.)**

7.8 The Group also feels that the quantum of refinance provided by NABARD should be increased substantially from the present level of 23% to about 50% atleast. The cooperative banks have to diversify their business portfolios of devising attractive banking products for mobilizing savings. The cooperative banks have to have an effective fund management strategy and mechanism by formulating institution specific investment policies. **(Para 7.10.2.)**

7.9 In order to meet the growing requirement of agricultural credit and to fulfill the target of the Xth Plan, the Group feels that there should be a separate National Bank for Cooperatives to supervise, monitor and meet the financial requirements of cooperatives. **(Para 7.9.9.)**

7.10 The Group feels that in order to enable the cooperative institutions to diversify their business, they should be allowed to undertake the insurance activitity on their own. **(Para 7.9.10.)**

7.11 The cooperatives suffer from lack of professionalism and HRD policies. The Group therefore recommends the need for a well specified HRD policy for the recruitment, placement, training, career progression and managerial upgradation, etc. The Group feels that there should be an objective and transparent policy of recruitment of staff, their training and depoliticisation of the cooperatives. **(Para 7.11.1.)**

7.12 The cooperatives need to have appropriate internal control systems like internal and concurrent audit and better MIS for an effective supervision and monitoring. For operational efficiency and better communications the Group recommends introduction of information technology in all the cooperative credit institutions. **(Para 7.11.3. and 7.11.4.)**

8. DEVELOPMENT OF NON-CREDIT COOPERATIVES

8.1 Achievement of the physical targets under the core activities of the cooperatives sector during the 9th Plan period has been, by and large, satisfactory. Scope of some of the Central Schemes implemented through NCDC has also been suitably expanded to make them more effective and need based. Besides, a few new schemes like working capital finance to State Cooperative Marketing Federations/ societies, establishment of bio-fertilizer units, creation of irrigation and water harvesting infrastructure/ facilities by cooperatives were introduced by the NCDC as its own sponsored schemes. **(Para 8.2.1.)**

8.2 There is an urgent need to enforce the Model Cooperative Law for democratic functioning, operational efficiency and financial viablity of the non credit cooperatives. The National Policy on Cooperatives should go a long way in improving the functioning of these cooperatives. **(Para 8.3)**

8.3 National marketing cooperatives like NAFED/TRIFED should create marketing infrastructure such as cold chain, other storage and testing labs for organic products besides undertaking net-working of cooperative marketing institutions to reduce costs, explore new markets and share production and marketing information. In so far as Minor Forest Produce (MFP) in predominantly tribal areas is concerned, the Government of India should consider to intordUce the mechanism of price support scheme for important minor forest produces which are collected on mass scale and the majority of the forest dwellers livelihood is dependent on the same. the price support in the predominantly tribal areas should be assigned exclusively to TRIFED. **(Para 8.4.7.)**

8.4 There is a need to re-look at issues such as abolishing the central/ district level marketing societies. Unless there is potential enough for making them viable, they need to be liquidated. Multiplicity of societies at the grass root level is another area of concern. The general marketing societies and commodity specific marketing societies having the same area of operation should be merged to make them viable and strong units for handling multi purpose cooperative. **(Para 8.4.7.)**

8.5 FISHCOPFED being a national level cooperative organisation, should play a major role in inter state fish trade and may also consider establishing cold storage at important fish marketing centres besides establishing fish processing units. **(Para 8.4.8.)**

8.6 The Integrated Cooperative Development Projects(ICDP) scheme should be implemented during the X Plan with focus on promoting adoption of information technology and supplementing coverage of income generating activities. Keeping in view the effectiveness and usefulness of the scheme for the primary level cooperatives, the reduction in the rate of interests on loans should be considered as different State Govts. have been requesting persistently for a lower rate of interest on NCDC's loan. This is possible only when GOI may provide interest subsidy to NCDC under the scheme on estimated loan component during the X Plan. The quantum of subsidy should be enough to facilitate disbursal of loan by NCDC at a rate 4% less than its normal lending rate. **(Para 8.4.12.)**

8.7 The cooperative housing sector although doing well in providing adequate housing facilities to the people at affordable cost in urban as well as in rural areas, is facing a number of constraints. In order to remove these constraints, the State Governments/U.T. Administrations should provide land to housing cooperatives at the rate at which acquired and on priority basis. Financing institutions like LIC, NHB, HUDCO etc. should provide additional loans to housing cooperatives at reasonable rates of interest. Estimated financial requirement of housing cooperatives during X Plan period would be Rs.5000 crore. **(Para 8.4.15.)**

8.8 The NCCF and the State level Consumer Federations should explore the possibilities of entering into alliances with the manufacturers for marketing of their products including manufacturing of some items under their own brand for marketing through consumer cooperative network. The Central/State Govts. may consider making structural changes in the set up of consumer cooperatives by making them 2 tier system instead of existing 4 tier system i.e. wholesalers and retailers, which will cut various administrative costs ultimately resulting in price benefits. The NCCF being the apex national federation, maybe considered to be declared as one of the agencies for import and export of consumer goods, alongwith other State Trading Enterprises. The consumer cooperatives engaged in retail trade of consumer goods would be expected to achieve an annual sales target of Rs.10,000 crores by the end of the 10^{th} Plan period. **(Para 8.4.16.)**

8.9 Agro-clinics, Irrigation – Water Harvesting, watershed Development, Bio- Fertilizer, Bio-product, Organic Farming, Service Sector Cooperatives, Partnerships among cooperatives and their strategic alliances with private or public sector organisation should be the future agenda of the cooperatives. **(Para 8.4.19.)**

8.10 With the opening of insurance sector, the intense presence of cooperatives in rural areas need to be utilised in spreading the activity of insurance as rural insurance in India has not really picked up to the desired level. Cooperatives with their vast net work could be considered for taking upo the activitiy of insurance in the rural areas, in the first instance. **(Para 8.4.20.)**

8.11 Creation of cooperative equity/ development fund both at Central and State levels so as to meet the shortfall in the promoters' equity and other requirements of development financing, on the the lines of National Equity Fund (NEF) operated by SIDBI. **(Para 8.4.21.)**

9. Training And HRD of Cooperatives

9.1. Human Resources Development (HRD) is designed for improving the human performance by increasing human capacity and productivity for ensuring a better quality of life to the individuals in and outside the organization. Human resources development is a process of advancement of knowledge, skills, discipline and will of the individuals for enabling them to behave and perform in the manner in which the individuals, organisations and societies prosper by fulfilling their objectives fully. **(Para 9.4)**

9.2 The management development and management education programmes conducted by the institutes under the umbrella of NCCT and other agencies need to be suitably modified to include the concept of value based professional management in cooperatives. It would be in fitness of the things that the manual prepared by ICA/NCCT is adopted by the cooperative training institutes and manual based series of programmes organised on continuous basis. **(Para 9.3.1.)**

9.3 In the context of fast changing economic scenario, cooperatives have to realize that their survival depends largely on improving the competitive strength and modernizing the business operations. Information technology has been recognized as an effective instrument full of potential to build up the competitive strength, particularly in the context of flow and utilization of information relating to markets, competitors, products etc. However, due to traditional perception and dependence on government support, the cooperatives have been rather slow to capitalize the gains and opportunities emerging from the growth and expansion of information and communication technology. **(Para 9.3 and 9.4)**

9.6. The prime responsibility for HRD has to be that of the cooperatives themselves. Therefore, they have to shed away their dependence on the government and others for financing their HRD requirements. They must make provisions in their budget for this important activity. **(Para 9.11)**

9.7 Cooperatives should introduce management trainee scheme in order to induct qualified and competent people at the middle level management. At middle and higher level management, at least 50% of the posts should be reserved to be filled only by direct recruitment. **(Para 9.14)**

9.8 VAMNICOM, Pune should pay greater attention to create appropriate software, programmes in the field of information technology and computerization apart from sensitizing top level leaders and policy makers in the cooperative sector and government officials. **(Para 9.23.1.)**

9.9 The Group strongly endorses the recommendations of an expert committee constituted to evaluate the working of the NCCT regarding creation of Corpus Fund of Rs.300 crores to make the NCCT self-reliant over a period of time. The pattern of contribution to this Corpus Fund may be adopted. **(Para 9.26)**

9.10 In view of the tangible impacts created by the education field projects scheme which is implemented through the NCUI, the Group recommends that 30 additional projects may be established during the Tenth Five Year Plan period @ 6 projects each year. This proposal and on going 40 projects will require total outlay of Rs.2660 lakhs from the GOI. **(Para 9.27)**

9.11 The cooperative education programmes and projects are presently monitored by the NCUI and the cost of monitoring is shared in the ratio of 80:20 by the NCUI and the GOI. The Group recommends that the same pattern may continue for Tenth Five Year Plan. This will require a outlay of Rs.615 lakhs during the plan period. **(Para 9.3.28.)**

9.12 The Boards of management of RRBs need to be evolved as on empowered bodies to enable them to be more responsive to the emerging changes. Each RRB should have clearly defined promotional policy specifying the standards and conditions. **(Para 9.32)**

9.13 The government and the sponsoring banks should sponsor their nominee Board members for appropriate training to be conducted at CAB, BTC, BIRD etc. to sensitise them appropriately about their role. Where the RRBs are in profit, a part of the expenses can also be borne by the RRBs. The areas of training should cover, in addition to the ongoing orientation, specific areas such as investment management, bank management, business and profitability planning, regulatory environment, managing industrial relations, etc. **(Para 9.33.6.)**

9.14 Each RRB should prepare a comprehensive phase-wise plan for computerisation covering all branches by the end of X Five Year Plan period. The sponsor banks, NABARD, RBI may provide financial assistance in the form of soft loan/grant for this purpose. **(Para 9.32.4.)**

10. Risk Management And Crop Insurance

10.1 Farmers who spend most of their time in open fields, are also prone to personal accidents and injuries. The scheme, therefore should strive to provide package insurance, which includes insurance of agricultural implements, produce stored in go-down and coverage of personal accident. **(Para 10.7.9)**

10.2 The possibility of using Remote Sensing methodology with ground level data deserves attention. Presently the Scheme depends on manual sources of collection for various data requirements. It includes yield data, cropped area, crop health etc. The Remote sensing technique which is being constantly refined and standardised, if used many provide greater credibility to the scheme, besides facilitating technology based services, including supplementary and complimentary services. The costs of data can also be reduced in the long run. **(Para 10.8)**

10.3 The decision regarding separate agency be taken quickly and such an agency should have appropriate authority and autonomy to deal with the GOI, State Governments and Reinsurers. **(Para 10.7.12.)**

10.4 Perennial horticultural crops such as apple, coconut, orange, mango etc. are presently not covered under NAIS because of their multiple-picking yield and non-availability of adequate past yield data. States like Himachal Pradesh, Andhra Pradesh, Maharashtra, Tamil Nadu etc. have been insisting for their inclusion. It is recommended that coverage to selected perennial crops in selected districts on experimental basis may be made at the first stage. Inclusion of other perennial horticultural crops can be considered on the basis of experience gained. **(Para 10.7.13.)**

10.5 Farmers despite normal production, often fail to maintain their income due to fluctuations in market prices. Farmers' income, therefore is a function of marketable surplus and market prices of the produce. Prices, besides being an inter-play of supply and demand, are also influenced by quality of produce. The Group recommends for considering revenue coverage i.e., price fluctuations of produce combined with yield guarantee under NAIS. **(Para 10.7.15.)**

10.6 Actuarial rates should form basis of premium calculation. Farmers would, however continue to pay the premium at existing rates and the difference between actuarial rates and flat rates to be subsidised by the Central and State Governments, while the responsibility for claims should be with Implementing Agency. The arrangement is thought essential to make the scheme viable and to infuse a degree of caution and accountability on Implementing Agency. **(Para 10.7.7.)**

10.7 Reinsurance: The improvement in the scope and content of Scheme has also widened the scope for significantly higher financial liabilities, which are often open-ended. An appropriate Reinsurance technique can reduce the financial liabilities of the Government and Implementing Agency. It is therefore, felt that an appropriate reinsurance may be negotiated in the international Reinsurance market. **(Para 10.7.16.)**

11. Programmes And Schemes

11.1 Several schemes designed to strengthen the credit delivery system, development of non-credit cooperatives, human resource development, insurance of crops were prepared by Department of Agriculture & Cooperation. The schemes for capacity building of RRBs and Cooperatives through implementation of DAPs/MOUs prepared by NABARD in consultation with Ministry of Finance and RBI during the VIII Plan were continued with revised budgetary allocations during the IX Plan. **(Para 11.1.1.)**

11.2. Schemes and projects prepared by NABARD for different sector/sub-sector of agriculture were implemented by NABARD during the IX Plan. **(Para 11.4.3.)**

11.3. NABARD has identified financing, promotion and development of Rural Non-Farm Sector as one of its thrust areas and has introduced certain measures to enlarge and diversify the credit and promotional activities in the field of Rural Non-Farm Sector. **(Para 11.4.3.)**

11.4 Under the capital subsidy scheme for storage the aim is to create upto 2002, an additional storage capacity of 12 lakh tonnes and rehabilitation/moderanisation/ expansion of capacity for 8 lakh tonnes. As on 31st March 2001, a total of 243 schemes with total capacity of 12.75 lakh tonnes have been sanctioned with outlay of Rs.338 crore. **(Para 11.4.3.)**

11.5 In order to encourage watershed development through the participation of local people, a Watershed Development Fund (WDF) has been set up with a contribution of Rs.100 crore and matching contribution of Rs.100 crore is also being made by Government of India. **(Para 11.4.3.)**

11.6 The following new schemes are proposed during the Xth Plan

11.6.1 Department of Agriculture and Cooperation

(i) Recapitalisation and revamping of Cooperative Credit structure.
(ii) Strengthening of infrastructure and MIS of the PACS.
(iii) Janta Personel Accident Insurance Scheme.
(iv) Strengthening of Information Technology of State Cooperative Departments.

11.6.2. National Cooperative Development Corporation

(i) Rehablitation of Cooperative Grower's Spinning Mills.
(ii) Setting up of new Cooperative Ginning and Pressing Units.
(iii) Scheme for Fisheries Development.
(iv) Creation of warer harvesting and irrigation facilities in rainfed areas.

11.6.3. NCUI/NCCT

(i) Distance Learning Programme.
(ii) Interstate Study Visits.
(iii) Scheme to assist Junior Cooperative Training Centres and State Cooperative Unions.

CHAPTER – I

1. Overview of Agriculture and Allied Sector

1.1.1. Introduction

India initiated the process of economic reforms in 1991 in response to the changes in the external and internal economic environment. The major objectives of economic reforms were market orientation of the economy, increasing private sector initiative, improving efficiency of Government spending, enhancing export competitiveness, foreign capital inflow, stabilizing balance of payment and revamping many sectors of the economy such as industry, trade, finance, infrastructure etc.

1.1.2. The changed macro economic scenario today reflects a much stronger economy and has been able to promote relatively higher growth. Growth rate of GDP during 1993-94 to 1999-2000 averaged around 6.6% p.a. During the initial two years of reform i.e. 1991-92 and 1992-93 the GDP grew at the rate of 1.1% and 5.1% respectively but since then the momentum of growth has been maintained. The GDP growth rate during VIII and IX Plan is given in **Annexure- I**.

1.1.3. Changes in policy environment for trade and foreign exchange have given a boost to export and imports. The average growth rate of export increased from 11.2% during 1986-87 and 1990-91 to 19.8% during 1992-93 and 1998-99. The export –import ratio increased from 74.1% to 83.4% during the same period. Further, India's share in world exports improved from 0.5% in 1985 to 0.63% in 1997.

1.1.4. However, the impact of reforms on poverty seems mixed. The estimates of poverty in the country show a regular decline in the poverty ratio from 36% during 1993-94 to 26.1% (30 day recall). However, the number of poor has remained stable mainly due to increase in population. Further, the pattern of growth followed seems to have reduced employment growth rate of 0.6%, employment elasticity which was of the order of 0.41% between 1983 and 1990-91 slumped to 0.1% between 1990-91 and 1997-98.

1.1.5. Agriculture continues to be an important sector of the economy with a 26.8% share of the Gross Domestic Produce (GDP). Its contribution in terms of providing employment to nearly two third of the work force has been critical in maintaining livelihoods especially in the rural area. The contribution of agriculture sector to food security is manifest in the abundant buffer stocks of grains. However, in the recent past growth of agriculture has been halting. During the 90's the growth rate of agricultural production has declined to 2.35% per annum compared to 3.72% per annum achieved during the 80's.

1.2 Economic Reforms and Agriculture

1.2.1 Agriculture sector has witnessed limited direct reform initiatives in the ongoing liberalisation of the economy. The initial focus has been on non price measures, such as development of technology and creation of infrastructure , which are important for agricultural growth than market-oriented measures.

1.2.2. The ongoing efforts at aligning agriculture trade with world trade will expose the domestic market to international price volatilities as also competition. While in some crop categories, domestic producers might lose on account of superior quality and low prices offered by overseas producers, in the case of other crops, domestic producers might gain. But these gains are realisable only if attention to quality and sustained production for meeting global market demand is paid. The falling value of the rupee has encouraged exports of agriculture produce on account of better realisation while at the same time discouraging imports.

1.3 Impact of Reforms

1.3.1. The agriculture sector in India is unique in many ways. It is the main stay of the Indian rural economy and despite concerted industrialization in the last five decades, agriculture remains the largest livelihood activity providing sustenance to over 70% of the rural population. The share of the agriculture and allied sector is about 26.8% of the GDP.

1.3.2. The production indicators in the agriculture sector point out that the food grain production growth rate of 1.7% during the period 1990-99 was less than the 3.1% growth rate recorded in the eighties decade. Though share of capital formation (1980-81 prices) in agriculture grew at the rate of 6.05% during 1989-90 and 1994-95, its share to total gross capital formation declined to 10.85% from 18.86% recorded in 1980-81. Public sector capital formation in agriculture showed a negative annual growth rate of 0.13% during 1990-95. The gap between per capita income of the farmers and others also widened.

1.4 Problems of Agriculture Sector

1.4.1 The planned approach to development has helped the country to reach a stage where the country is self sufficient in food grains and has a comfortable buffer stock. These achievements have been possible mainly through the favourable policy framework and the policy of Indian agriculture was to achieve food security by providing incentive for growth along with equitable access to food. However, the Indian agriculture is still beset with a number of problems. No direct reforms initiatives have been taken in the agriculture.

1.4.2 Land Reforms

Agriculture in India has been the preserve of small and marginal farmers. In terms of number of holdings, the small and marginal farmers (less than 2 ha, land) account for 78% of the holdings in 1990-91. In 1960-61, these categories accounted for only 63% of the number of holdings. This points to increased fragmentation of land holdings and need of land reforms.

1.4.3 Stagnating Productivity

With the advances made in production and productivity, availability of food grains has been comfortable with satisfactory level of buffer stocks in the last few years. But the growth in yields have been declining throughout the decade of the 1990. The growth rates in yield achieved in the eighties could not be sustained in most of the crops in the nineties. With the agriculture being exposed to international markets, there is an urgent need to raise productivity levels to global benchmarks. In many crops, Indian productivity levels do not compare well at all with other countries.

1.4.4 Declining Profitability

Recently an analysis was made for a few states on the profitability of agriculture based on CACP data on cost of cultivation, production and market prices of crops for the period 1990-91 to 1997-98. It was observed that substantial increase in cost of cultivation has been a general trend in the cultivation of crops with increase in labour costs accounting for the major share. On the other hand the yield levels of crops have almost been stagnant and although there was general increase in market prices of the crops, the rise was not commensurate with the increase in cost of cultivation. Thus profitability has declined on account of yields and market prices failing to keep pace with rising input costs.

Presently, there are some restrictions on private sector trading in foodgrains. This has the impact of reducing the competition and the opportunity for the farmers to get better prices. It is also observed that the minimum support price and procurement by Government makes the farmer's approach to the quality of production casual in a scenario where quality has assumed utmost importance for marketability both in domestic and international market.

A competitive market for produce will offer better market prices and remunerative farm gate price thereby increasing the profitability of agriculture sector. This will induce farmers to diversify cropping in tune with the market trends and also pave way for adoption of newer and better technologies resulting in higher productivity.

1.4.5 Efficiency of Resource Use

One serious impact of various policies like subsidisation of inputs is the distortion of use of inputs and natural resources. The increased and inappropriate use of chemical pesticides and fertilisers and the resulting vulnerabilities due to spread of mono culture, replacement of indigenous varieties with new high yielding varieties etc. have in the long run had an adverse impact on productivity, environment and health. This sub-optimal use of fertilisers also results in ground water pollution. Similarly, subsidy on irrigated water and electricity has led to excessive irrigation contributing towards salinity and water logging in some areas and overdraft and depletion of ground water in others. In the long run these practices will result in decreased productivity and degradation of fertile land.

1.4.6. Reduced Investment

During the last decade, the overall growth in capital formation in agriculture has been inconsistent with the sahre of public sector showing a negative growth rate of 0.22%. The budget allocation for agriculture by the state governments has been consistently declining during this period. Public sector investment is important as it generally tends to create infrastructure leading to private investment. Declining trend of public investment has been mainly due to increased amount of subsidy in agriculture.

1.4.7 Reduced Competitiveness in International Market

Controls on movement, marketing and prices which extend to external trade and agricultural commodities through the system of export licensing, operation of export quota and canalisation of exports and imports in several major commodities through fixation of minimum export prices, together come in the way of the producer having free and remunerative access to the export market. Further, the administered prices and differential incentives on different commodities result in distortion of pattern of production; commodities with comparative disadvantage being given encouragement for production over crops which have comparative advantage. A long term agricultural trade policy is a must to induce investments necessary for production and processing technologies consistent with international markets.

1.5 National Agriculture Policy (NAP)

The National Agriculture Policy has been announced by the Government of India which seeks to actualise the vast untapped growth potential of Indian Agriculture, strengthen rural infrastructure to support faster agriculture development, promote value addition, accelerate the growth of agribusiness, create employment in rural areas, secure a fair standard of living for the farmers and agricultural workers and their families, discourage migration to urban areas and face the challenges arising out of economic liberalisation and globalisation. It aims at attaining a growth rate in excess of 4% per annum in the agriculture sector. The agricultural credit and the role of cooperatives have been assigned an important place in the Policy. The projected goal of 4% agriculture growth rate would require enhanced agricultural credit flow with atleast 25% growth in credit every year during the X Plan.

1.6 Impact of WTO on Agriculture

1.6.1. The WTO provides threats as well as opportunities in the agriculture sector. While agriculture on the whole might not be affected under WTO, certain crops and crop groups might be adversely affected, while other crops may gain. An analysis of the input of WTO agreement on product specific basis on rice, maize, edible oil and oil seeds has shown that liberlisation of trade would raise domestic wholesale and farm level prices of rice and maize, whereas, the prices of edible oils and oilseeds like rapesedd/ mustard would decline. The impact would be moderate on rice and quite strong on maize. Free import of rapeseed/ mustard oil would render its seeds substantially cheaper.

1.6.2. Analysts feel that the fear that the removal of QRs would flood the Indian market with cheap foreign produce has been disproved by past behaviour. This is partly due to a combination of comparatively high import duties and low purchasing power. The real problem lies in how the producers respond to the developed countries continue to offer agricultural subsidy at their present level, the Indian farmers would face difficulties in competiting with them unless proper support is forthcoming from the government.

1.6.3. Effective regulatory mechanism and safe guards need to be universally iinstalled so that the agro biotechnology that is both productive and benign is encouraged for adoption. Doversification of agriculture has assumed greater importance, specially if the country wants to adopt an export oriented growth to raise the share of agricultural sector in total exports. The information on agriculture produce which would be beneficial and more profitable alongwith the appropriate technology to be used to ensure international standards in quality, value additions that could be undertaken, etc. would need to be disseminated among the farmers. The farmers would also need support in the form of better storing facilities, agro-processing units, transportation facilities etc. to enable the value added products to reach the international markets without losing its quality. The farmer who is the major livelihood earner too needs an insurance cover for his life so that in case of untimely death or accident the family’s hardship is also mitigated to a certain extent.

CHAPTER II

2. PART A – Review of Agricultural Credit

2.1 Credit is a key factor in agricultural development. In the context of technological upgradation and commercialisation of agriculture which is envisaged in the coming years, it is necessary that credit support to agricultural sector is stepped up considerably. There is a close relationship between the credit and agricultural productivity as indicated in **Annexure –IX.** It may be appropriate here to point out that the ratio of inputs to outputs in agriculture has been a constant 0.25 over the last six years from 1990-91. Bank credit to agriculture was 15.6, 15.6 and 15.2% of gross bank credit as at the last day of March 1998, 1999 and 2000 respectively, while the contribution of agriculture to GDP has been of the order of 29.0, 29.0 and 27.5% respectively. A comparison with the flow of credit to industry shows that substantially large flows to the manufacturing, mining and industrial sector and an inherent bias towards financing industry due perhaps to the perceived high risks associated with agriculture.

2.2.Review of Credit to Agriculture Sector During IX Plan

2.2.1. During the VIII Five year plan agricultural credit flow was projected at Rs.133358 crore against which the achievement was Rs.98850 crore. Further, the flow of ground level credit to agriculture sector has been registering a positive growth rate and has increased from Rs.26411 crore during 1996-97, the terminal year of VIIIth five year plan to Rs.44612 crore in 1999-2000. The annual compound growth rate in agricultural credit envisaged during the IX plan was 16.1%. However, the actual annual growth rate during the first three years of the plan has been quite good and it fluctuated from 21% during 1997-98 to 15% in 1998-99 and again improving to 21% during 1999-2000. By the end of IX Five Year Plan the compounded annual growth rate is expected to be around 20.3%

2.2.2. As can be seen from **Annexure-II**, during the IX plan a total credit flow of Rs. 229750 crore was projected. The target for the first three years ending March 2000 was set at Rs.116800 crore against which the actual flow was Rs.113428 crore. The actual credit flow for agriculture during the year 2000-01 was targeted at Rs. 52108 crore leaving a balance of about Rs. 65000 crore of credit flow to be achieved in the terminal year of the IXth plan i.e., 2001-02 as against the target of Rs. 60842 crore. In other words, the growth rate required to achieve the target set in the IXth plan would be around 25% in the last year of the plan.

2.3 Analysis of Agency-wise Credit Flow during IX Plan

Agency wise analysis indicates that the share of Cooperative Banks in the ground level credit for agriculture and allied activities has been declining. Details given in **Annexure-III**. It declined from 45% in 1996-97, the terminal year of VIIIth Plan to an estimate of 41% during 2000-2001. The decline has been uniform under both production credit and investment credit. Among the cooperatives, the share of short term structure was 78% and during the first three years of the IX plan it registered a positive growth in credit flow. The growth rate has been consistent and increased from 9.5% during 1997-98 to 15% in 1998-99 and to 18.6% in 1999-2000. The share of long term structure was around 22% of credit flow through the cooperative structure but the growth rate, though positive has been declining from 15.78% in 1997-98 over 1996-97 to 14.9% in 1998-99 to 11.2% in 1999-2000.

2.3.1. The commercial banks have improved their share of agricultural credit from 49% in 1996-97 to an estimated level to 52% during 2000-2001 while the RRBs improved their share from 6% to 7%. Thus, the commercial banks have become the major agency for dispensing credit in agriculture and allied sectors. But as a share of net bank credit, direct agricultural advances of scheduled commercial banks formed only 11.8% as on last Friday of March 2000. There has been a decline in the number of accounts under direct agricultural advances with scheduled commercial banks reportedly due to technical write-offs involving a large number of accounts in agriculture sector. In the case of RRBs, there has been a growth in agricultural credit flow in absolute terms, but their share in overall credit flow is meager at about 7%. With a large branch network in the rural areas, the RRBs should try to increase their share of agricultural credit flow to at least 10%. The very high investment-deposit ratios of RRBs at more than 70% also reflects the lack of appetite for loans on their part.

2.3.2. NABARD has promoted the concept of Self-Help Group approach for financing the poor by formal institution and encourage the non-formal institutions and NGOs as well. A beginning was made in the year 1991-92 by linking SHG with the formal credit agencies. About 1,14,775 SHGs were linked SHG with the formal bank by March, 2000 which translated into 1.9 million poor families assessing formal banking services. The modalities of bank finance to SHGs and their reckoning for reporting have been familiarised by RBI in February, 2000.

2.3.3. As a pioneering credit delivery innovation, the Kisan Credit Card Scheme was introduced with effect from 1998-99 for timely and easy availability of the production credit to the farmers. The scheme is being implemented by the Commercial Banks, Cooperative Banks and Regional Rural Banks. Each farmer is provided with a Kisan Card and a pass book or a Card-cum-pass book for providing a revolving cash credit facility whereby the farmers is permitted any number of drawals and repayments within a stipulated limit, which is fixed on the basis of land holding, cropping pattern and scale of finance. The farmer has to repay each drawal within 12 months.

The studies conducted in a few States have revealed wide acceptability of the scheme among the farmers since it ensures a timely and adequate provision of credit, simplification of loaning procedure and documentation, elimination of repeat process of loan proposals. The total number of KCCs issued till 31st March, 2001 were 144 lakhs approx. out of which 94 lakhs KCCs have been issued by the Cooperative Banks, 42.00 lakhs by the CBs and 8.00 lakhs by the RRBs. It has also been decided to cover all the eligible farmers during the next 3 years.

However, the banks have not adopted the scheme in a uniform manner, resulting in some States like Andhra Pradesh, Maharashtra, Rajasthan and U.P. issuing more than 10 lakhs of KCCs (in each state). While States of Karnataka, Orissa and Tamil Nadu have issued 5-10 lakh KCCs each, some other States like Bihar, Assam, Gujarat, Haryana, Himachal Pradesh, J&K, Kerala, M.P., Punjab and West Bengal have issued less than 1 lakh KCCs each. The progress of the implementation of this scheme in the North-Eastern States is very much dismissal.

It has also been observed that some banks have fixed high floor limits for issue of KCCs resulting in exclusion of small farmer/marginal farmer as well. The farmers by some banks are being denied the flexibility of operations by putting restriction on the number and frequency of withdrawals and repayments and also by not allowing withdrawal after repayments into their accounts, thus disabling the farmers from utilising the cash credit facility effectively.

2.4 Future Issues in Banking and Agricultural Credit

2.4.1. With the introduction of prudential norms and other reforms in the banking sector, the ground level realities of banking have undergone a change. Derecognition of income from NPAs, the need for making provisions against classified assets and need to maintain capital in proportion to the risk

assets has distorted assets allocation by bankers and influenced their portfolio choice. Sectors, which carried higher risk in the perception of bankers have been ignored and safe avenues used for deployment of resources.

2.4.2 Agriculture Sector Viewed Risky

The bankers have always viewed lending for agriculture purpose as a risky preposition and as a result the growth rate of credit flow to agriculture sector, as explained earlier, has been declining. However, the data on NPA shows that while NPAs in priority sector were more as a proportion, the same was rapidly falling over the last few years. 50% of all NPAs of public sector banks were of priority sector in March 1995. In March 1999, this fell to 43.7%. while the non-priority sector NPAs of public sector banks increased by more than Rs. 13300 crore between 1995 and 1999, the priority sector NPAs increased by about Rs. 3400 crore. The risk perception of bankers regarding priority sector of which agriculture is a significant part seems to be
based on the past loaning in which quality was a casualty. Post reform lending for priority sector seems to be qualitatively different and thus necessitates a re-rating of risk potential.

2.4.4. Prime Lending Rate Ceiling on Small Loan Not Attractive

Though the interest rates have been deregulated, the commercial banks have been permitted to charge a rate nor exceeding their Prime Lending Rate (PLR) which is generally their lowest rate, in respect of small loans upto Rs. 2 lakhs. Since small loans dominate rural portfolios the transaction cost involved in servicing these accounts are high. The low rates of interest available for the credit dispensed in agriculture sector is disincentive to the bankers and affects their margin.

2.4.4. Clash Between Objectives and Expectations From Banks

There seems to be a divergence between the objectives of commercial banking which is profit maximization and objectives of rural banking which is equitable access at affordable cost. With commercial banks in the public sector set to become widely held companies (the government has announced its intention of reducing its equity stake to 1/3) there is bound to be increasing pressure from the shareholders to pursue a profitable business model which may not work to the advantage of rural banking. The options available are to improve profitability of rural banking and setting up dedicated banking institutions with a clear development banking objective.

PART B – Rural Indebtedness

The indebtedness refers to a situation where loans have been raised from outside agencies and they are outstanding at particular point of time. Rural indebtedness almost becomes inevitable on account of limited available available own resources required for successfully carrying out the agricultural and other operations in the rural areas. The sources utilised for availing the loans are mainly formal (i.e. Rural Financial Institutions) and non-formal agencies (i.e. landlords, Agricultural Money lenders, Professional Money Lenders etc.). indebtedness from non-formal sources has different implications as against indebtedness from organised formal sources.

A. Magnitude of Rural Indebtedness

Most authentic and reliable source for knowing the extent of indebtedness in the country is the "Debt and Investment Survey" undertaken by NSSO after every ten years period. According to 1991-92 survey report aggregate amount of debt outstanding on 30th June 1991, in the country (rural and urban sectors combined) was estimated at Rs. 37,343 crores. Out of this, the share of rural households debt was 59% (i.e. Rs. 22,211 crores). If we look at the distribution of rural debt by broad categories-wise i.e. cultivators and non-cultivator households, about 80% (amounting to Rs. 17.668 crore) of the total rural debt was accounted for by the cultivator households which constituted 66% of rural households. In all about 23.4% of the rural households were debt as on 30th June, 1991. Relative share of households with institutional debt was more (i.e. 15.6%) as compared to the households. With non-institutional debt was (i.e. 9.8%). The states, which were affected more by indebtedness, wee Andhra Pradesh, Kerala, Rajasthan and Tamilnadu. With a increase in the flow of credit, rural indebteness has also been increasing. It may be seen from the figures of the last four surveys on rural indebtedness.

Amount of Total Outstanding Debt of Rural Households

(Rs. in crore)

Year	**Amount**
1961	1956
1971	3848
1981	6193
1991	22211

Three times jump in the indebtedness between 1981 and 1991 is mainly on account of increase in the flow of credit.

B. Causes of Indebtedness

Farm indebtedness, is itself may not be a matter of concerned, so long it is effectively and properly serviced through income generated from farm operations. This generally does not happen in respect of indebtedness from non-formal agencies due to various short comings.

Rising trend in rural indebtedness in a cause for concerned is many states like Andhra Pradesh, Karnataka, Maharashtra, Punjab, Haryana. Some states even reported suicide deaths of the farmers on account of indebtedness. The growth of debt from the non-formal sources has increased in absolute terms. This obviously has resulted into increased sufferings and debt burden of the farmers. The non-formal credit mechanism is well known for its short comings like very high rate of interest, explorative nature, indifference towards the purpose for which the loan is utilised – all this resulting into chronic indebtedness and ultimate liquidation of farm assets (including land) particularly in case of marginal farmers. Besides this, there are various other reasons for the high level of indebtedness. The consumption needs of the farmers particularly in agricultural advanced states are becoming stronger and have been taking precedence over the productive needs for utilising the limited farm surplus. The average size of holding has been gradually decreased over the years thereby farming units are becoming economically unviable and limiting the further scope for increasing the agricultural production. There is a absence of diversification of farmers business, lack of agro-processing and value addition units for farm produce in the rural areas and consequent limited employment opportunities in the non-farm sector.

C. Remedial Measures

Remedial measures for improving the situation have been suggested by various Committees and Study Group (J.N.L. Srivastava’s High Level Committee on Indebtedness among farmers of Punjab and Haryana; Study Group set up for studying the issues relating to nature and extend of indebtedness in Andhra Pradesh etc.) A comprehensive and total review of policies, procedures and programmes of the formal credit institutions to make it more liberal, competitive, market oriented and farmer friendly are required. The organised formal institutional credit delivery system should provide adequate and timely credit to the farmers. Proper extension service should be made in order to wean the farmers away from the money lenders as fast as possible. An arrangement for proper dissemination of information amongst farmers about the policies, procedures, products and programmes of banks and Cooperative Credit Societies is required to be made. RFIs should simplify the loaning procedures and take care of all types of credit needs including consumption and emergency loans. Production loan should be linked with marketing and PACs/ other agencies should be encouraged. Other measures, such as effective implementation of Crop Insurance for stabilising the income of farmers; new methods (i.e. soil conservation, developing seeds of high genetic etc.) for increasing the farm yield and agro-processing for raising the income of the farmers are some of the for building repaying capacity of the indebted farmers.

The real solution, however, lies in enhancing the profitability of agrculture by increasing the productivity and reducing the cost of production so as to make the agricultural produce competitive in the international market. This would require a focus on the marketing strategies, storage, agro-processing and value addition to avail the export opportunities available under the WTO regime.

CHAPTER III

3. Potential For Credit For Agriculture And Allied Sectors

3.1 Production Credit

The production credit requirements for farming have been growing rapidly. Production credit as a proportion of purchased inputs was a little over 40% in 95-96 and needs to be stepped up significantly. Commercialisation of agriculture and diversification has increased the credit intensity of production operations. To fulfill the production credit needs an overhaul of the system of fixing scales of finance is needed. Restrictions on individual's maximum borrowing have to be removed. Innovations in delivery mechanism and procedures such as the Kisan Credit Card should be increasingly adopted. Crop diversification should be supported with emphasis on strategic crops like oilseeds and fodder crops for the animal husbandry sector. It is considered that the total requirement of production credit as per the macro level estimate would be around Rs. 312800 crores

3.2 Investment Credit

The Sectoral potential requiring credit support in X Plan yearwise is given in Annexure-X.

3.2.1 Minor Irrigation

The role of minor irrigation is critical in sustaining agriculture production and productivity. Ground water exploitation has reached alarming levels in select blocks while in others there is a scope for further exploitation. In the dark blocks credit should support conservation and optimal use of water using drip and sprinkler technologies. Further, emphasis on harvest of surface water during the monsoon would lead to recharge of ground water. In tapping surface water resources participatory approaches involving community organisations need to be tried out. Energisation is an important aspect of irrigation and adequate attention should be given to ensure that irrigation structures become functional for lifting of water. The requirement of credit under this sector has been assessed as 39970 crores during the X Plan.

3.2.2 Land Development

Productivity of soil needs to be improved over extensive tracks. Similarly reclamation of lands spread over vast areas could add to the cultivable acreage. Higher water efficiency cannot be achieved by levelling and terracing of land with conservation works such as bunding and drainage. Problem soils requiring reclamation such as saline, alkaline, acidic and water logged areas need attention and with credit support they could be brought into productive cultivation. Watershed development in dry land areas is also a priority for the government and the banks alike. This sector has a good potential for credit absorption. The potential has been assessed to around Rs. 6939 crores.

3.2.3 Plantation and Horticulture

Being the second largest producer of horticultural crops, India is in a position to supply to the global market. It has to overcome infrastructure constraints, shortage of planting material and lack of post harvest management facilities to become a credible exporter. The emphasis should be on avoidance of wastage and spoilage of crops through appropriate post harvest procedures, packing and storage. Specialised transport and storage arrangements should become part of the chain from farm to market. The acerage under horticulture crops could be increased by bringing wasteland into cultivation. Product specific strategies would be needed to enhance export competitiveness. An assessment of credit requirement of this sector has been worked out for about Rs. 18056 crores.

3.2.4 Animal Husbandry

The breeding facilities should be improved and a strategy should be devised for increasing the production base of quality animals. A climate based policy for breeding should be introduced with embryo transfer technology. Additional investments in AI centres and animal health care could improve the success rates of breeding. Cultivation of fodder has to be broad based in order to provide adequate inputs to the dairy sector. While there is a reasonable spread of processing facilities in the dairy sector there is a need to invest in cold chains and upgrading technologies. In the poultry sector, environmental concerns relating to disposal of wastes have to be dealt with effectively. There is a need to attend to the feed manufacture requirements in the poultry sector by making available maize which is a social ingredient. Hatchery infrastructure should be upgraded to ensure easy availability of day old chicks. An assessment of Rs. 32528 has been made for this sector during the X Plan.

3.2.5 Fisheries

Future potential for growth in fisheries lies in deep sea and inland fisheries. The coastal fisheries have reached their plateau in terms of production potential. A sound aquaculture policy which ensures environmental sustainability with equity is necessary to ensure credit continued support through banks. In inland fisheries, policy on leasing of water bodies by governments and PRIs needs to be reviewed and long term leases which attract credit support should be made the norm. Processsing and storage facilities for fish need to be upgraded to provide better price realisation for fishermen. Credit potentiality of Rs. 6010 crore has been assessed for this.

3.2.6 Forestry

Supply of planting material and guidance regarding site specific requirements is a necessity in forestry. Involvement of private sector in developing degraded forest land could provide a boost for the sector. Social and environmental policy relating to development of wasteland needs to be addressed in order to ensure vigorous farm forestry and agro forestry development. The forest development corporations should be professionalised and converted in to effective marketing organisations so as to attract credit support from banks. The credit requirement for this sector has been assessed as Rs. 7332 crores

3.2.7 Farm Mechanisation

The demand for tractors, combine harvesters, thrashers and other farm machinery has been on the increase. Newer equipments have also been finding a market among agriculturists looking for drudgery reducing mechanisms. Farm mechanisation has found ready credit support from banks and this trend is expected to continue during the X plan. About 20% of the total credit is going to this sector. There is still far more requirement of technological upgradation. The requirement for the X Plan has been assessed at Rs. 78440 crores.

3.2.8 Storage, Godowns And Market Yards

As mentioned earlier, avoidance of post harvest losses is possible only with scientific storage arrangements. Improving price realisation for the farmers depends on access to markets in which a large number of buyers and sellers participate. Hence during X plan it could be necessary to invest in cold storages, rural godowns and market yards which could improve not only the price realisation for the farm but also reduce loss of produce. The GoI's schemes for construction of cold storages and rural godowns should be continued during the X plan. This is the important area which would require more attention and therefore, the credit requirement of this sector has been assessed as Rs. 1205 crore for the X Plan.

3.2.9 Agro Processing

The access to a global market in recent times cannot be fully exploited unless investments take place in value addition Agro processing industry has a significant role to play in value addition. Apart from improving shelf life through appropriate packing and grading efforts at establishing brand names could augment revenues for the Indian farmers. Availability of technology could be a constraint. Import of technology should be allowed without restrictions for the purpose. This is the most critical sector to make the agricultural produce more competitive in the international trade. Credit requirement of Rs. 25886 crore has been assessed for this during the X Plan.

3.2.10 Bio Technology

Bio technology could improve productivity and reduce environmental costs of processing. Manufacture of bio fertilizers and pesticides is at a nascent stage and hold promise for vigorous growth. Tissue culture has become the preferred mode of propagation in some select crops. Biotechnology would need not only credit support but venture capital as well. Efforts to increase awareness of bankers about possibilities of bio-technology sector are necessary to ensure smooth credit flow.

3.2.10.1. In terms of credit flow, minor irrigation, farm mechanisation and animal husbandry sectors are expected to find ready support from banks. The other sectors would find credit support depending on the developments on policy front as also infrastructure availability. To ensure diversification into new sectors, extension services of state governments would need to be strengthened.

3.2.10.2. In order to ensure a balanced and equitable development of the agriculture sector there is a need to identify the areas which need special thrust for development. Development of rainfed areas, wasteland forest areas would go a long way in increasing production as also generating equitable income for the families depended on it. Similarly there are sections of people like the Small and Marginal farmers, Scheduled Caste and Scheduled Tribe and the women who need special focus if overall development of the rural areas are to be achieved. Focus on some special agricultural produce like oilseeds and pulses need to be planned to avoid over dependence for these produce on foreign countries.

3.3. Thrust Areas

3.3.1. North Eastern Region and Hilly Areas

The North Eastern Region accounts for around 4% of the total population of the country. Nearly 34% of the working population in the region is engaged in agriculture. The region receives heavy rainfall with annual precipitation being more than 1000 m.m. and the net irrigated area is around 22% of the net sown area as against the corresponding national average of 32%.

Productivity of foodgrains is however far below the national average. While traditional method of cultivation is prevalent in the plains of the region Jhum cultivation is prevalent in the hilly areas. Mono cropping is largely prevalent in the entire area.

3.3.2. Off take of institutional credit for agriculture and allied activities is affected both on account of lack of demand and supply. On the demand side,

factors constraining the flow of credit are varied ranging from poor and inadequate infrastructure facilities such as communication, marketing and

processing in case of agricultural products, poor extension services accompanied by lack of coordination between the research institutes and field level staff resulting in lack of awareness of the latest farming technologies/practices among the rural communities and the peculiar land tenurial system prevailing in the region, etc. From the supply side angle, existence of a large number of non viable cooperative institutions, weak RRBs with low absorption capacity, endemically low CD ratio, high overdues, low volume of business, low margin, high cost of management are few of the reasons.

To augment the credit requirements in the region a multi pronged policy interventions from the government and the bankers is needed. Solutions lie perhaps in building sustainable rural development programmes with community participation, using informal and formal people based structures for delivery of credit and development services as also an integrated approach in which infrastructure, technology, credit, extension and marketing become part of the package. A shift from state subsidies/funded economic activities to private enterprise involvement would be useful to ensure bankability of livelihood projects/activities. (A note on the agricultural credit in NE Region is given at **Appendix – II**).

3.3.3. Small Farmers/Marginal Farmers (SF / MF)

Agriculture in India has been the preserve of small and marginal farmers. In terms of number of holdings, the small and marginal farmers (less than 2 ha. land) account for 78% of the holdings in 1990-91. In 1960-61, these categories accounted for only 63% of the number of holdings. In terms of area, small and marginal farmers holdings accounted for 32.2% of area operated (90-91) which is higher compared to 18.9% in 1960-61. The average size of holdings across all categories of farmers was 1.57 ha. in 1990-91 which is substantially lower than the average holdings of 2.69 ha. in
1960-61. However, access of SF/MF to credit is limited due to several institutional and non-institutional factors.

3.3.4. Adoption of new technologies becomes a problem for small farmers as the investment required is higher and they don't get the benefit of economies of scale. The impact of crop failure on the SF/MF is greater as their risk bearing capacity is low. Banks are averse to provide small loans as the transaction costs of servicing small and marginal loans is higher. The ceiling on interest chargeable by commercial banks on small loan has had an adverse impact on credit flow to SF/MF.

Several measures have been initiated to maintain and increase credit flow of SF/MF as also reduce transaction costs to banks and borrowers.

The Kisan Credit Card has reduced the difficulties and costs of accessing credit for small borrowers. The proposal to cover all eligible farmers in three years time will expand credit access to SF/MF. Banks which have minimum loan size as a criteria for issue of cards need to waive the same to improve credit flow to SF/MF. The NAIS has provided risk coverage against crop failure to SF/MF at lower rates of premia in many states. This has altered the risk perception of lending banks. The Governments in states where the scheme is not operational have to act soon and enable risk coverage in the interests of the farming community.

3.3.5. The SHG-bank linkage programme affords access to very small loans for people operating on a micro scale. The expansion of the programme is providing resource access to poor and will eventually enable credit worthy SF/MF to directly deal with banks. Contract farming practices, which are prevalent on a limited scale, have depended mostly on small farms. Technology adoption and maintenance of quality standards by small farms have been found to be highly satisfactory, by the contracting firms. Since producing a marketable surplus and marketing it are the two critical issues on small farms, contract farming which offers a satisfactory solution should be encouraged with adequate safeguards.

3.3.6. It is well established that small farms are better equipped to respond to changes faster and achieve high levels of productivity and diversification, compared to big farms. The small farms should be encouraged to enable them to modernise their operations, for which credit is a vital requirement.

The concept of Joint Liability Groups (JLGs) can be effectively used as a collateral substitute for extending credit to farmers like SF/MF. The main purpose of mobilizing a JLG is to serve as a collective guarantee for loans extended to each member and for executing joint liability agreement. In this way, the transaction and risk costs of the banks can be reduced substantially while disbursing small loans to such categories of farmers.

3.4 Scheduled Castes/Scheduled Tribes

Since Independence development of Scheduled Castes / Scheduled Tribes (SC / ST) has been one of the most important priorities of the Government of India. According to 1991 Census, SCs account for 138.23 million (16.5 percent), STs 67.76 million (8.1 percent) and Minorities 145.31 million (17.2 percent). The incidence of poverty among SC/ST population is much higher than the average for the country as a whole. Nearly half of the SC population (48.4%) and 51.1% of the ST population live Below the Poverty Line (BPL) (as per 1993-94 estimate) as against 35.9% of the total population deemed to be poor. These disadvantaged groups depend mainly on low paid and what are generally considered ‘degrading’ jobs which barely support their existence. The strategy to be adopted for upliftment of these categories of people should focus both on economic and social empowerment.

Therefore ongoing employment cum income generation schemes run by various governmental and non-governmental organisations (NGOs) have been expanded further to reach the most backward and far flung tribal areas to make them economically independent and self reliant. In this direction, the authorised capital of Six specialised Financial Institutions working for the economic empowerment of these group, have been enhanced. These Corporations in collaboration with the SFDCs are expected to arrange to extend both “forward” and “backward” linkages of credit and marketing facilities to the micro level agencies to improve the economic condition of these disadvantaged groups. Nation-wide Poverty Alleviation Programmes like Swarnjayanti Gram Swarozgar Yojana (SGSY), Swarnjayanti Shahari Rozgar Yojana (SJSRY) implemented by the Ministries of Rural Areas and Employment and Urban Affairs and Employment aim at generating both wage and self employment and income generation opportunities for the benefit of the socially and economically disadvantaged groups.

3.5 Access of Credit to Women

Women constitute nearly half of the population of the world and make up one-third of the labour force. In India, women and children who represent 67.7% of the country’s total population should constitute the most important target groups for the development of the country. Over a span of nearly nine decades, though, the literacy level of women has increased from 0.6% percent to 39.19 percent, a majority of the women are still illiterate, without having any access to property and credit. Therefore, for the overall upliftment and economic independence, it is very important to facilitate their entry into income generating economic activities through provision of education, empowerment and entitlement to properties.

Many efforts had been taken through Government sponsored women targetted programmes. However, the credit flow has failed to reach majority of them. Concerted efforts are needed in the areas of awareness building, skill acquisition/ upgradation, entrepreneurship development training on production, marketing, quality control/maintenance and enterprise counseling. As the majority of the women live in rural areas (77%), their credit requirements from the banking system are small, for the purpose of investment in micro enterprises or towards consumption loans. Therefore, the type of credit required by them is in the nature of seasonal credit or 'revolving funds'. The bankers have to be sensitised for the special attention to be provided in lending to women. Provision of timely credit, simplification of loan procedures including dispensing with or accepting alternatives for collateral requirements would improve the flow of credit to women. The recent development of savings and thrift group formation have opened up new possibilities of targeting women. Of the 2.64 lakh SHGs linked to banks as of March 2001, about 85% are exclusively women's groups. Thus micro finance has shown the way for providing women access to financial services. Representation to women in community fora such as SHG, Water Users' Associations, Watershed Development Committees, Joint Forest Management Groups, primary co-operatives (as in the case of MACs of AP) would go a long way in ensuring credit flows to women run enterprises.

Further, the bank's policies have redefined to ensure adequate credit flow to women entrepreneurs and it has been decided that at least 2 per cent of their net bank credit should be earmarked for women to be raised to 5 per cent in 5 years time.

The law and procedures creating hurdles such as denial of rights to property, insistence on husband or father's guarantee for loans etc. have to be effectively addressed to eliminate the inherent bias against women.

Chapter IV

4. Projections for Agricultural Credit During X Plan

4.1.1. The adoption of technology driven policy for tapping the productive potential for agricultural crops would necessitate progressively greater infusion of capital resources, which in the case of private investments would call for larger credit support from institutional sources. These investments must be induced by making agricultural enterprise profitable through a multi-pronged strategy, providing incentives to the producers to facilitate adoption of new technologies. Institutional credit agencies would need to support investments for land development, irrigation structures, farm mechanization, biotechnology, cold storages, value adding enterprises and marketing to improve the productivity and profitability in agriculture.

4.1.2. The impact of credit in agricultural development by way of financing use of modern inputs and capital formation in agriculture is well known. The focus of agricultural credit in the X Plan should be on augmenting the credit flow for improving agricultural production, productivity and profitability and simultaneously pay special attention towards facilitating increased credit access to vulnerable sections of the rural society and backward areas.

4.1.3. Financial Targets For Credit Flow During X Plan

Against the background of achieving a 4 per cent growth rate in agricultural GDP, projections have been made in respect of flow of credit to agriculture and allied activities. In order to arrive at realistic estimates four different approaches were used which are described in the following paragraphs.

4.2. Macro estimates based on required investment growth rate

4.2.1. The quantum of capital investment required for achieving desired rate of growth in GDP could be estimated by capital output ratio. The **'**capital output ratio**'** defined as the ratio of capital stock to the total output in an economy at a given point of time, is generally used in determining the rates of savings and investment given the growth rate of an economy. Incremental Capital Output Ratio (ICOR), thus, indicates the units of additional capital required to be invested for one unit of additional production ,other things like technological progress, weather conditions, agro-climatic variations, choice of production technology and supply of factor endowments remaining the same. It is the ratio of additional capital invested to the additional output during a particular year or over a period of time. The higher the ratio the more units of capital will be required to produce an additional unit of output. Thus, it indicates the efficiency/ productivity of capital in the economy. This is evident from the fact that less developed countries have higher capital output ratio, while the developed countries have lower capital output ratios.

4.2.2. ICOR for agriculture during Eighth Five Year Plan was estimated at about 2.3 However, it would be naive to plan agricultural growth with low ICORs (Alagh, 1997). In a few states, where agriculture is well developed, all infrastructure facilities are available and extension services are of higher order, the capital output ratio could be lower as compared to in less developed states. But the decline in Total Factor Productivity referred to earlier implies that improving productivity will require investments of higher order than in the past. Further, the introduction of high technology, crop diversification and processing for distant markets would increase capital intensity of farming. Therefore, the ICOR in agriculture for the plan has been assumed as 2.8 i.e., projections of credit flow have been made on the basis of the requirement of capital formation in the agricultural sector from private sources, for achieving a growth rate of 4 per cent per annum.

4.2.3. Based on the capital output ratio, predetermined growth rate of 4%, the share of private investment and bank credit, volume of credit flow required has been worked out in **Annexure-IV**. The credit from the formal credit institutions forms a part of the private sector/household sector capital formation in agriculture. Once the magnitude of private capital formation is known, the share of credit in it could be worked out. In this model, the share of private sector capital formation has been assumed at around 80% of total capital formation (average of the share of private capital formation during the period 1993-94 to 1996-97) and the share of bank credit has been assumed at 67% of the private sector capital formation, based on past trends.

4.2.4. Short Term (ST) loans as a percentage of purchased inputs used in agriculture formed a little over 40 per cent in the year 1995-96. However, the value of inputs estimated in agriculture does not include the labour charges which amounts to nearly 30 per cent of the cost of cultivation. Assuming that the entire labour charges in the cost of cultivation is contributed by the farmer himself, financing the total value of purchased inputs would be a desirable target. During X Plan, a goal of financing 60 per cent of the value of purchased inputs by ST loans would be feasible.

4.2.5. Increasing commercialisation of agriculture would demand more production credit, on account of increased intensity of input use, higher technology and tillage practices. This likely increase in demand for production credit has been factored into the estimates made for the X Plan. While making projections for production credit, an allowance has been given for the commercialisation of agriculture and the increased use of purchased inputs over the years.

4.2.6. The total credit requirements as per macro estimate work out to Rs.616957 crore of which Rs.312809 crore is for short term and Rs.304148 crore for long term. The long term credit flow seems set to rise faster than ST credit flow on account of higher ICOR. As compared to the IX Plan estimates, these estimates are 168% higher. The compounded annual growth rate in credit is about 23%, which is higher than the IX plan projected growth rate of 16.1%. When the estimate is adjusted for inflation, both in ST crop production loans and investment loans , the credit flow amounts to Rs.736570 crore, with Rs.359701 crore for ST loans and Rs.376869 crore for LT loans. Details are furnished in **Annexure- V**.

4.3 IX Plan Achievement Trends Based Estimates

The achievement of credit flow under the IX Plan was analysed and the trends in credit growth were arrived at. Based on the growth trends, the X Plan credit flow was projected. While the past need not repeat itself in future, the growth trends of past might be relevant for examining the practicability of achievement of any targets that may be set. The IX plan achievement based credit projections reveal that Rs.601425 crore would be the possible credit flow during the X Plan. **(Annexure-VI).**

4.4. Potential Linked Plan Based Projections

NABARD prepares Potential Linked Credit Plan (PLP) for each district in the country based on ground level demand and feasibility of commissioning investments. These projections are aggregated at the national level. The PLP projections for agriculture sector were analysed for the IX Plan period. The trends in projections were worked out and used to forecast the X Plan credit flow. This estimated credit flow arrived at through this method is Rs.618311 crore. **(Annexure-VII).**

4.5. Institutional Capacity To Handle Xth Plan Credit Flow

Whether the Rural Financial Institutions would be in a position to handle the volume of credit is a question that has to be answered. In the case of Cooperative Banks, past trends in their deposits and advances, growth in proportion of their credit flow for agricultural sector and the likely improvements in their operation during the Xth plan were taken into account to assess the volume of credit that they could handle. In the case of Cooperative Agriculture and Rural Development Banks, the growth prospects are not very high as they are dependent for long term resources mostly on NABARD . Their present strength , the limitations and constraints for diversification in future does not lend much scope for any significant improvement either in their financial strength or in business volume. The short term cooperative credit structure has been showing impressive growth rates in deposits as also advances. However, there are number of weak District Central Cooperative Banks which would need to turn around and improve their net worth. A state-wise analysis of the structure had been made keeping in mind the relative strength and weaknesses of DCCBs to arrive at the likely credit flow that they could handle. The total volume of credit that could be handled by Cooperative Banks both in the short term and long term structure works out to Rs.271129 crore. The comparable projections of IX Plan was Rs.110531 crore and the achievements are likely to be Rs.97460 crore.

4.5.1. In the case of RRBs, inspite of many of them turning around and posting current profits, the credit expansion has been tardy during the IX plan. Conscious efforts would be needed to persuade the RRBs to move away from risk averse investment banking to lending, especially in agriculture. With an average credit deposit ratio of 41% there is a need that RRBs step up credit to reach a level of 60%. However, looking to region and bank specific constraints, an analysis has been made state wise and it has been found that a step up of 15 % in credit deposit ratio would be more feasible and on this basis the capacity of RRBs to handle credit has been assessed and the volume of credit has been quantified. The total credit flow through RRBs is assessed at Rs.45958 crore. The comparable projections of IX Plan and likely achievements there against are Rs.17577 crore and Rs.16592 crore.The commercial banks over the last four years have been required by RBI to improve credit flow by 25% each year. Hence, in their case, the credit flow during Xth plan has been estimated on the same basis. Commercial Banks are expected to handle Rs.310180 crore of credit during the X Plan period, which is 49% of total credit flow.

The total credit flow found feasible from the point of view of institutional capacity is of the order of Rs.629767 crore over the Xth plan period. The estimates arrived at on the basis of institutional capacity is furnished in **Annexure-VIII**. The statement showing relationship between foodgrain productivity, net irrigated area, credit and government expenditure on agriculture is given in **Annexure – IX**. In respect of investment credit, the credit demand and potential was assessed by technical experts based on growth prospects of different sub sectors. These estimates wok out to Rs. 236376 crores **(Annexure X)** .

The comparative chart of different projections for agricultural credit for X Five Year Period is given in **Annexure-XI**.

4.5.2. The estimates of credit arrived at indicate the likelihood of financial flow subject to the assumptions thereunder. The cooperative banks which are projected to have a share of 43% in the projected credit flow during Xth plan have a critical role to play. Their continued good performance and capacity to handle large volume of funds would depend on their being provided a level playing field. The rehabilitation and revitalisation package suggested by the Capoor Committee has to be implemented in order to make them support the agricultural sector effectively during the Xth Plan. The organisational, financial, structural and human resources related measures should be fully in place. Then only the cooperative banking sector would respond to the challenge of meeting the massive requirements of Xth Plan agricultural development.

4.5.3. In the case of RRBs, there is a need for improving their share of agricultural credit flow. This would be possible if concerted action from Government, RBI, NABARD, Sponsor Banks and RRBs themselves is taken. The measures should seek change in mindset of bank staff, refinement of the corporate goals to include agricultural lending as a core objective and altering the risk perception of these banks to have a realistic assessment of the lower risk in agricultural lending. All this call for a set of policy and awareness measures to be undertaken at different levels. The recapitalisation process should be taken to a logical conclusion with coverage of all viable RRBs. State Governments should contribute their share of recapitalisation support.

4.5.4. In the case of commercial banks, there is a need to emphasize the importance of agricultural lending and adoption of agriculture as a preferred sector. The tendency to look for larger size loans and reduce exposure to the number of small farmers accounts has to be overcome through firm initiatives from RBI.

4.6. The macro level estimates made at 2.8 ICOR at a growth rate of 4% in agriculture seems reasonable and may be adopted for the X Plan purposes. Credit flow required in real terms to achieve the X Plan growth targets under the macro estimates of the order of Rs.736570 crore (Details given in Annexure-V). However, to ensure credit flow to the agriculture sector, apart from planning strategies to enhance the productivity and profitability of the sector and putting in place proper risk management mechanism strategies to tackle credit related and Rural Financial Institution related issues need to be formed some of which have been enumerated below:

4.6 Strategies For Augmenting Credit Flow

Credit Packages For Accelerating Farm Credit During X Plan

4.6.1. Conventional credit products in use have satisfactorily served the major requirements in agriculture so far. But certain regions and sections of people have not been able to fully access formal credit. With a large rainfed hinterland and majority small and marginal farmer population, future agricultural growth could be sustained if access to credit is ensured to those who are under served presently. The task of providing access to dryland farmers and small farmers should be taken up in earnest.

4.6.2. The credit flow estimates for the X Plan represent a 170% increase over the flows achieved during the IX plan. Delivering such a high volume of credit is possible if banks government and other stake holders coordinate their efforts.

1.1.2. The large volume of credit could be absorbed only if ground level conditions improve. there is a need for making concerted efforts to widen and deepen credit outreach. The marketing of agricultural produce has proved to be a major constraint in many areas for higher investments in production. The lack of good market and the consequent loss of a remunerative price lead to inadequate repaying capacity in the hands of farmers. Hence there is a need to link credit with marketing wherever possible. Encouragement should be given for linkage of production with marketing activities. This is possible at the cooperative society level but for various reasons the cooperatives have not been able to succeed in this in many places. The procurers of produce, apart from cooperative marketing societies, such as the government agencies, marketing federations, large exporters, their loan repayments. Sugar factories, recover of crop loans given to farmers and pass on the same to the banks, forging a strong link between credit, production, marketing and processing. Such a model should be possible in the case of oilseed crops and dairying also. Sectors which lend themselves for such a linkage should be identified and efforts taken to establish the linkage which would be beneficial for farmers, bankers, marketers and processors.

4.6.4. Credit should form part of a comprehensive project package. Latest technology inputs and marketing tie up for output should be a part of the package. Schemes for agricultural poly clinics, information centres should be prepared. These could be set up with some initial subsidy from government as they would help in transfer of technology to farms alongwith credit other inputs.

4.6.5. As described earlier, banks have to adequately finance farmers and that too all their requirements. Those without access or with limited access must be enabled to achieve better access. Given the high transaction costs of dealing in small loans, various alternatives need to be explored to bulk either the needs of a group of farmers or all credit needs of individual farmers, so as to provide a viable account size to the banks. Some product and delivery innovations are called for. Use of traditional mechanisms of informal credit may widen the outreach of formal financial sector.

4.6.6. The Self-Help Groups concept has gained ground by leveraging on the power of people getting together and undertaking thrift and credit activities collectively. While this has facilitated the access of poor for their small thrift and credit requirements, there are people with larger credit requirements who are still unable to access credit. Further, the transaction costs of both borrowers and banks are significantly high n the rural sector especially agriculture. In such cases, reduction in transaction costs and risk costs could be achieved by evolving a credit product using group approach.

4.6.7. Joint liability groups have been in existence in other countries in Asia especially Thailand where a group of farmers avail of a loan from bank by undertaking to be liable for repayment of the loan of any other members of the group. Such a guarantee goes beyond any collateral that the individual members are able to offer. This also paves the way for the group undertaking farming and other activities in a coordinated manner for better results.

4.6.8. In the Indian context too, farmers could be encouraged to get into groups for the purpose of availing credit from banks. Banks would stand to gain from reduced appraisal and monitoring costs by marketing use of peer pressure within the group for repayment of its loans. The borrowers too could avoid their transaction costs by dealing as a group with the bank instead of having to approach individually.

4.6.9. Some norms relating to loan terms, collateral and contractual complications arising out of joint and several liability would have to be evolved to operationalise this credit product. This would be useful for tenant farmers and share croppers who do not have substantial collateral to offer for bank loans.

CHAPTER-V

5. Review of the Working of the Rural Financial Institutions (RFIs)

5.1 Agricultural credit is disbursed through multi-agency network consisting of Commercial Banks (CBs), Regional Rural Banks (RRBs) and Cooperatives. As on 31st March, 2000, there were approximately 92,000 village level Primary Agricultural Credit Societies (PACs) 367 District Central Cooperative Banks (DCCBs)with 12407 branches and 29 State Cooperative Banks (SCBs) with 823 branches providing primarily short-term and medium term agricultural credit in the country. The long term cooperative structure consists of 19 State Land Development Banks (SLDBs) and 755 Primary Cooperative ARBDs with 1219 branches and 689 branches respectively, which are catering to the requirement of investment credit. Besides, there are 45957 rural and semi-urban branches of 106 Commercial Banks, 14462 branches of 196 RRBs and 114775 Self Help Groups linked with banks as on 31.3.2000. The institutional arrangements of the financial institutions is given in **Annexure – II A.**

5.2 Performance of Rural Financial Institutions.

5.2.1. The flow of institutional credit for agriculture and allied activities has increased from 26411 crore in the year 1996-97 to Rs. 51460 in 2000-2001 (projected). The agency wise flow of credit to agriculture and allied activities for the period 1996-97 to 2000-2001 is as under :

(Rs. in crore)

Particular Agency	1996-97	1997-98	1998-99	1999-2000	2000-2001 (Projection)
Commercial Banks					
Short –term	6549	8349	9622	11967	14222
Medium/Long Term	6234	7482	8821	11157	13566
Sub-total	12783	15831	18443	22854	7788
Cooperatives					
Short –term	9328	10895	12571	14648	17700
Medium/Long Term	2616	3190	3386	3781	4209
Sub-total	11944	14085	15957	18429	21909

Regional Rural Banks Short –term Medium/Long Term Sub-total	 1121 563 1684	 1396 644 2040	 1710 750 2460	 2517 812 3329	 2778 1029 3807
Grand Total	26411	31956	36860	44612	53504
Growth Rate	20%	21%	15%	21%	+20%

Source :- NABARD

5.2.2 Agencywise analysis is given in Chapter II which reveals that the share of cooperative banks declined from 45% in 1996-97 to 41% in 2000-01. The RRBs are stagnating at 7%. The commercial banks have increased their share, yet their share as compared to net bank credit is not satisfactory. As against the target of 40% for priority sector lending by banks, the sub target for agriculture has been fixed at 18% for the commercial banks. The relative share of agriculture credit in net bank credit stood at 11.7% in March, 1999. This is in comparison to 12.8% in March, 1997. The share of agriculture in net bank credit is declining.

5.3 Cooperative Credit Structure

5.3.1 Cooperative Credit Structure consists of two wings namely; Short Term Credit Structure and Long Term Credit Structure. The Short Term Credit Structure deals with Short and Medium Term Credit for agricultural purposes and it is federal in character. It is mostly based on a three tier pattern with the State Cooperative Banks (SCBs) at the Apex level, DCCBs at the Intermediary level and PACS at the village level. All types of Primary Societies are federated into DCCBs at the district level which in turn are federated into the SCBs at the State level i.e. Apex level.

5.3.2. Under the long term cooperative credit structure, the Land Development Banks cater to the investment credit requirements in the rural areas. The organisational pattern is not uniform all over the country. A majority of states (11) have a federal set-up with the State Cooperative Agriculture and Rural Development Banks (SCARDBs) at the state level and affiliated Primary cooperative Agriculture and Rural Development Banks (PCARDBs) at the district or taluka levels while in some states (8), the structure is of unitary type the operational units below the SCARDBs being its branches.

5.3.3. In terms of their outreach during the IX Plan, the cooperatives account for about 43% share in credit flow for agriculture, 31% rural deposits and small farmers constitute 42% of their membership. The coverage of villages in the country by PACS was in the ratio of 7:1 with a membership of over 10.07 crore of which the borrowing members constitute around 44%. The total membership of long term structure in 1999-2000 aggregated to about 1.30 crore of which borrowing members at 0.91 crore constituted to 70%. Cooperatives account for about 50 per cent of the total loan amount estimated to have gone to small and marginal farmers and other weaker sections in the rural areas.

5.4 Level of Business

5.4.1 The total loans issued by cooperative institutions have been growing over the years and had grown from Rs.19,471 crore in 1991-92 to Rs.74,123 crore in 1998-99. During the last two years, while the loans issued by LT structure increased by 6.2%, the loans issued by ST structure increased by 8.8%. There were large regional variations in credit disbursals by DCCBs in 1998-99. The state of Maharashtra accounted for the largest share at 24.8% and was followed by Tamil Nadu (19.9%), Andhra Pradesh (7.3%), U.P. (6.7%), Gujarat (6.6%), Karnataka (5.7%), Punjab (5.6%), Kerala (5.6%) and Haryana (5.4%). The remaining seven states accounted for a meager 12.4% of the total loaning by DCCBs. The total loans issued by PACS in the country increased from Rs.10,350 crore (1994-95) to Rs.16,081 crore (1997-98) registering an increase of 55.4%. The average loan business of PACS during 1997-98 was the highest in Kerala (Rs.203.34 lakh) followed by Haryana (Rs.61.93 lakh), Tamil Nadu (Rs.57.14 lakh) and Punjab (Rs.37.34 lakh). While the PACS in Karnataka, Andhra Pradesh, Rajasthan, Gujarat and Madhya Pradesh had an average loan business ranging between Rs.10 lakh and Rs.20 lakh, the same was between Rs.5 lakh and Rs.10 lakh in Maharashtra, U.P. and Orissa. The PACS in Himachal Pradesh, Bihar and West Bengal had very low average loan business of less than Rs.5 lakh. The all-India average loan business of PACS was Rs.17.48 lakh for the year 1997-98 compared to Rs.16.53 lakh in 1996-97 and Rs.3.39 lakh in 1985-86.

5.4.2. The total loans issued by SCARDBs and PCARDBs increased from Rs.2295 crore and Rs.1593 crore during 1997-98 to Rs.2437 crore and Rs.1692 crore during 1998-99, registering an increase of 6.2% each. The data on loans issued by different states show that Uttar Pradesh, Tamil Nadu, Punjab, Kerala and Haryana accounted for nearly 67% of the total loans issued by SCARDBs. While there was a sharp decline in the amount of loans issued by Maharashtra SCARDBs during 1998-99, the Orissa SCARDB could not disburse any amount during the year as these banks were not eligible for refinance from NABARD due to poor recovery performance.

5.5 Recovery Performance

5.5.1 A comparative position of recovery of the different agencies is given below :

Percentage of Recovery to Demand (end June)				
Agency	**1996-97**	**1997-98**	**1998-1999**	**1999-2000**
SCBs	86	84	81	83
DCCBs	70	70	70	69
SCARDBs	62	61	62	62
PCARDBs	59	55	60	58
RRBs	55	57	61	61

Source : NABARD

5.5.2. During 1998-99, the recovery performance of SCBs was extremely poor in the case of Arunanchal Pradesh (22%), Bihar(7%), Nagaland(4%), Manipur(4%) and Assam(1%). 19 of 28 SCBs recorded recovery lower than the all India average (81%). Among DCCBs, recovery level (state average) was lower during 1998-99 compared to 1997-98 in four states and in other states, the same was either constant or showed only marginal improvement. The DCCBs in the states of Assam, Bihar and J&K were reeling under poor recovery of 4%,12% and 27%, respectively.

5.5.3 . During 1998-99, the recovery declined in respect of SCARDBs of Himachal Pradesh (67 to 63), Rajasthan (85 to 81), Tripura (44 to 34), Gujarat (66 to 65). At the PCARDBs level, there was reduction in recovery percentage in Himachal Pradesh (80 to 78), Orissa (24 to 23), Rajasthan (67 to 66) and West Bengal (62 to 59). While the Northern and Southern Regions generally showed an overall better recovery performance, recoveries were lower in the Eastern and North Eastern regions, both regions being economically backward. Further, recovery was consistently better in certain states like Haryana, Kerala and Punjab, irrespective of the type of agency whereas it was far from satisfactory in some other states like Assam, Bihar, Manipur, Orissa and Tripura.

5.5.4. In aggregate, the decline in recovery during 1998-99 was marginal at less than 2% in 38 DCCBs, between 2% and 4% in 40 DCCBs, between 4% and 6% in 24 DCCBs and between 6% and 10% in 28 DCCBs. It was more pronounced in 59 DCCBs with a decline of more than 10%. On account of substantial improvement (more than 10%) in the recovery performance of 35 DCCBs there was virtually no change in the overall performance at the DCCBs level as a whole during 1997-98 (around 70%). During 1999-2000. The SCBs slightly improved their recovery from 81% to 83%.

5.6 Prudential Norms and N.P.A Level

5.6.1. Prudential norms including asset classification and provisioning were made applicable to SCBs and DCCBs from the year 1996-97 and extended to ARDBs from 1997-98. The NPAs as on 31 March, 1999 constituted 12.55% (SCBs) and 17.81% (DCCBs) of their total loans and advances outstanding. The NPAs as on 31 March, 1999 constituted 19.19% (SCARDBs) and 16.05% (PCARDBs) of their total loans and advances outstanding. The total impaired assets of cooperative banks during the years 1998-99 and 1999-2000.

(Rs. in Crore)

Total NPAs	SCBs	DCCBs	SCARDBs	PCARDBs
1998-99	2748(12.55%)	6573 (17.8%)	1977(19.19%)	784 (16.05%)
1999-2000	2758(10.73%)	7543(17.15%)	2158(18.66%)	1518(18.98%)

5.6.2.1. Application of prudential norms to cooperative banks involving stringent provisioning requirements have brought into focus their lack of capital adequacy and their fundamental weaknesses. The move to extend the capital adequacy requirement comes as a major effort to revamp the cooperative credit structure, to make the lending institutions more viable and strong. Cooperative banks will have to give a hard look at their loan portfolio
and capital structure to assess their strength on the basis of which they would be required to outline steps to reach the prescribed level of capital to risk weighted assets. It is felt that cooperative banks would have to go in for major improvement in their quality of assets, recovery of loans and must devise modern NPA management strategies, to meet the growing competition in the area of rural credit. The cooperative banking system in the country assumes great importance for the delivery of rural credit since nearly 100 per cent of the villages are covered by the credit cooperatives.

5.7 Working Results of Cooperative Banks

5.7.1. Short Term Structure

The profitability of the SCBs and DCCBs improved during 1999-2000 as compared to the previous year. The working results of the cooperative banks are given below :-

Agency	Total	Nos. in Profits	Amount	Nos. in loss	Amount	Accumulated losses
SCBs						
1997-98	28	18	134	10	271	301
1998-99	29	22	135	7	244	516
1999-00	29	24	252	8	104	497
DCCBs						
1997-98	367	212	303	155	497	2143
1998-99	367	249	358	118	318	2483
1999-00	367	229	436	138	493	2817

Source : NABARD

5.7.2. Long Term Structure

During the year 1999-2000, 9 SCARDBs were in profit as compared to 8 in 1997-98. The following are the details of profit and loss of the SCARDBs and PCARDBs.

Agency	Reporting Banks	Nos. in Profits	Amount	Nos. in loss	Amount	Accumulated losses
SCARDBs						
1997-98	19	8	83	11	164	402
1998-99	18	9	90	9	200	587
1999-00	18	9	92	9	189	779
PCARDBs						
1997-98	718	251	37	467	185	546
1998-99	723	200	46	523	177	669
1999-00	732	295	65	437	155	891

Source : NABARD

5.8 Regional Rural Banks – An Overview

5.8.1 . The need for strengthening the multi-agency rural credit system with banking institutions having a distinct rural bias and combining the local feel of cooperators and business acumen of commercial banks led to establishment of RRBs in 1975 to mitigate the problem of low resource position of cooperatives and lack of rural orientation of the commercial banks.

5.8.2. The RRBs were established as State sponsored, low cost, rural credit institutions to accelerate the flow of institutional credit to rural areas. As on 31st March, 2000, 196 RRBs were functioning in 476 districts (out of total 577 districts) in the country with network of 14498 branches. The inherent structural weaknesses like limited area of operations, targeted clientele, small and non-remunerative sizes of loans, directed lending, regulated interest rates, absence of cross subsidisation etc. resulted into most of RRBs accumulating sizeable losses over a period of two decades and most of them had become non-viable as their accumulated losses eroded the equity base. As many as 165 out of 196 RRBs, as on 31.3.1994, which necessitated on central institutional development efforts including recapitalisation of 175 RRBs to the extent of Rs. 2076 crore in order to improve the financial health and operational efficiency of RRBs. During the year 1998-99, 147 RRBs, earned an aggregate profit of Rs. 420 crore. The remaining 49 RRBs incurred losses of Rs. 178 crore. The accumulated losses of Rs. 153 RRBs stood at Rs. 3101 crore. A gradual decline had been witnessed in the gross NPAs from 43.1% of their gross outstanding loans and advances as on 31st March, 1996 to 28% as on 31st March, 1999. The percentage of recovery to demand for all the RRBs was 60.5% as 30.6.1998. The all-India average CD ratio for all RRBs stood at 41% as on 31st March, 2000. The share of RRBs in mobilising rural deposit was 18.3% on 31st March, 1999. It is observed that many RRBs have taken the route of investments to increase their profitability and reduce the risk in lending. However, this questions the very basis for which these banks came into existence. There is an urgent need to enthuse these banks to increase their credit portfolio and do qualitative lending.

5.9 Commercial Banks

5.9.1.The commercial banks were assigned the role of purveying credit to the rural sector from late sixties as the cooperatives were not able to meet fully the credit needs of the rural sector. It was also felt that the commercial banks had expertise and business acumen on one hand and had access to resources mobilized by them through deposits, on the other. The nationalization of commercial banks in 1969 paved the way for their enhanced role in rural credit system.

5.9.2 . The branch banking in rural areas acquired a new momentum and the outreach of commercial banking system was considerably enlarged within a relatively short period. The number of rural and semi-urban branches of the commercial banks increased from 5, 175 in 1969 to 32, 917 in 2000. Rural and semi-urban branches account for 64% of their total branch network. The flow of credit for agriculture and allied activities increased from Rs.12,783 crore in 1996-97 to Rs.22,854 crore in 1999-2000.

5.9.3. The data on deposits and advances of the rural and semi urban branches of the commercial banks for the period 1990-91 to 1996-97 show that in terms of overall magnitude, both deposits and advances had increased. However, in terms of share of rural and semi-urban branches in total deposits, there was a nominal decline of about two percentage points. Surprisingly, the share of rural and semi-urban branches in the total advances of the commercial banks witnessed a sharp decline of about 10 percent during the same period. The CBs out of their total bank credit disbursed only 10.1% in rural areas and 11.7% in semi rural areas against 78% in the urban and metropolitan areas.This disturbing trend perhaps might have been a consequence of tightening of prudential norms and the pressure which was brought to bear on banks for reduction of NPA without adequately strengthening of debt recovery system.

5.9.4. The study of the recovery performance of commercial banks in respect of agricultural advances over a period of 1991-92 to 1997-98 show that there had been a progressive improvement over the years. The recovery performance of the commercial banks had increased from 54 per cent in 1991-92 to 63 per cent in 1997-98, an increase of 9 percentage points. In case this trend in recovery performance is maintained, the commercial banks will be able to recycle the funds better and step up the credit flow to agriculture and allied activities.

5.10 Emergence of Micro-Finance Institutions

5.10.1. Studies showed that the large network of commercial banks, co-operatives and RRBs, controlled by government benefited comparatively the better off in rural areas. The credit access to the real poor still remained a distant dream. The inadequacy or disinterest of formal credit institutions was quite visible after the reforms. The financing against poverty needs a flexible approach with a market orientation, which the formal institutions did not have. It was proved in several countries that, the participation of poor, flexible approach, right kind of products and right pricing would benefit the poor on sustainable basis. NABARD promoted the concept of Self Help Group (SHG) approach for financing poor by formal institutions and encouraged the non-formal institutions and NGOs as well. A beginning was made by the 1991-92 by linking SHGs with the formal credit agencies.

5.10.2. There were three different models evolved and promoted by NABARD. In model one, the bank itself acted as Self-Help Promoting Institution (SHPI). The model was especially adopted by RRBs and accounted for about 14 percent of total groups linked. In the second model other agencies like NGOs, government departments/agencies etc. acted as SHPI, facilitated by banks. Banks, however, directly financed the groups. About 70% of the group were linked through this model. In the third type of NGOs and MFIs acted as SHPI and also as intermediaries (on lenders) between bank and groups. About 16 percent of the group were linked to banks in this way. In all 718 NGOs participated in the linkage programme. About 16 percent SHGs receive financial services with NGOs as intermediaries. Now, the participation of state government agencies and panchayat raj institutions as SHPI is on the rise.

5.10.3. In all 114,775 SHGs were linked with formal banks by March 2000, which translates into 1.9 million poor families accessing formal banking services. The modalities of bank finance to SHGs and their reckoning for reporting have been formalised by RBI in February 2000. Women formed about 85 percent of the SHGs. The SHG linkage models are becoming more important and effective way of intermediation.

5.10.4. A few NGOs expand the concept of group lending. In such models, the SHGs were federated at different levels. The bigger federations aspire to have their own formal banks. A few other NGOs that focused on individuals rather than groups, converted their micro-finance activity into formal Non-Banking Financial Companies. The individual approach to lending generally is referred as Grameen Bank model (after Bangladesh Grameen Bank) and the group directed approach is referred to as BRI model (after Unit Desa scheme of Bank Rekayat Indonesia). There are several variants of micro-finance practiced in the country.

5.11 Problems of Cooperative Credit Structure (CCS)

5.11.1. Though CCS continues to have the largest net work of rural credit outlets, but many of the cooperative credit institutions are far from being strong and self-sustaining business enterprises. These institutions are impaired due to low source base, inadequate volume of business, poor recovery performance etc., which restrict the working efficiency of the cooperatives. Some of the major constraints of the CCS are given as under:

5.11.2. Poor Resource Base and Financial Viability

Most of the Credit Cooperatives have a very limited resource base. The position of the resources of the cooperatives from various sources as on 31.3.199 was as follows:-

Resource base of cooperative banks						(Rs. in crore)		
Agency	Share Capital		Reserve		Deposits		Borrowings	
	Amount	%	Amount	%	Amount	%	Amount	%
SCBs	585	2	2917	7	25786	66	9849	25
DCCBs	2484	4	4801	7	45609	69	12796	20
PACs	3329*	15	----	----	5255	24	13299	61
SCARDBs	582	4	1440	11	240	2	11093	83
PCARDBs	610	7	559	7	152	2	6849	84
Total	7590	5	9717	7	77042	52	53886	36
* Includes Reserves Sources: NABARD, NAFSCOB. AND NCARDBF.								

More than 60% of the resources of PACS are in the form of borrowings from higher financing agencies. The deposits mobilized by them is very small. Poor recovery performance and high over dues drastically reduced the eligibility for borrowings. The low resource base has resulted into poor financial viability. There are 118 DCCBs and 7 SCBs which have reported loses as on 31st march, 1999. There are 143 DCCBs and 7 SCBs which have eroded their assets to an extent that they are not able to comply with section 11(1) of the BR Act.

5.11.3. High Transaction Cost

The average transaction cost as a percentage to working capital of DCCBs stood at around 2.53 during 1997-98 and 2.39 (tentative) for 1998-99 for the year 1998-99. In the LT structure, the transaction cost as a percentage to working capital stood at 3.19 (SCARDBs) and 2.25 (PCARDBs) in the year 1998-99. This has affected the financial viability of these institutions.

5.11.4. Poor Fund Management

In many of the cooperative banks, as efficient system of funds management has been rather conspicuous by its absence as a result of which they are often stuck with high quantum of surplus funds mobilized at high cost. The problem in regard to funds management by cooperative banks was essentially two-fold. While the SLR funds give a lower yield, at the same time there are limited avenues for deploy of the surplus funds.

5.11.5. Mounting overdues due to poor loan recovery

Recovery performance in cooperative banks continued to be far from satisfactory. As at the end of June, 1999, as many as 12 SCBs (42.8%), 164 DCCBs (44.7%) and 11 SCARDBs (57.9%) had recovery levels less than 60%. As on 30 June, 1999, chronic overdues at the level of SCBs and DCCBs were at Rs.1095 crore and Rs.2074 crore which constituted 41% and 24% respectively of their total overdues. The percentage of overdues to demand of the PACS was 35% as on 31.3.99. Both external and internal factors influence the recovery of the PACS. Given the fact that recoveries could have been much less but for the assistance and intervention of the state government concerned, the recovery performance of cooperative credit institutions was a matter of serious concern.

5.11.6. High NPAs

With the introduction of the prudential norms, there has been a shift from overdues related discipline to NPA related norms which brought more transparency in accounting. The NPAs constituted 10.7% (SCBs) and 17.1 % (DCCBs) of their total loans and advances outstanding as on 31 March, 2000.

The NPAs in SCARDBs as on 31 March, 2000 marginally decreased to 18.66 percent of their total loans and advances outstanding.

5.11.7. Poor Governance

While the cooperatives have grown in size it has become heavily dependent on the government thereby losing its independent and autonomous character. Involvement of members has dwindled giving way to excessive control by the Government. There is absence of democratisation and enlightened leadership in the cooperatives which has led to operational inefficiency and poor delivery system. The emergence of Self Help Groups is the result of the weaknesses in the cooperative system.

5.11.8. Lack of Professionalism in Cooperative Banks

Professionalism in terms of high level of skills and standards in performing duties entrusted to a person has not developed to the desired extent amongst the cooperatives. This has been partly due to their evolution as peoples organization rather than as business enterprises adopting professional managerial systems.

5.11.9. Imbalanced Growth

The growth of the cooperatives across the country has witnessed regional, sectoral and sectional skewnesses. There are wide disparities in the performance of credit institutions both in regard to deposit mobilisation and deployment of credit. In the North Eastern region, the deposit mobilisation and credit disbursed was 3.66% and 1.75% of the total credit disbursement respectively as on 31.3.2000, whereas it was 37.93% and 32.54% in the Western region. Likewise certain sectors like rainfed farming, horticulture, storage, processing etc. have been starved of credit as compared to farm mechanisation, minor irrigation and Animal Husbandry. The small and marginal farmers who constitute about 78%, get only about 31% share in the total bank credit.

CHAPTER – VI

Institutional Development Initiatives

Overview

6.1 The rural credit scenario and functioning of the Rural Financial Institutions (RFIs) have been under periodic examination over the years. The pioneering All India Rural Credit Survey, 1954 (AIRCS) was followed by the All India Rural Credit Review Committee (1969), the Committee to Review Arrangements for Institutional Credit for Agriculture and Rural Development (1981), and the Agricultural Credit Review Committee (1989) comprehensively investigated various emerging issues in rural credit and made recommendations. The recommendations of these Committees/ Studies and the action thereon have brought about momentous changes in the rural credit scenario of the country.

6.2 The overarching objectives of various policy interventions in the sphere of rural credit policy have been : to institutionalise credit, To enlarge its coverage, to ensure provision of timely and adequate credit to as large segment of the rural population as possible to achieve anticipated growth rates in agricultural production and employment. The Indian rural credit system as it has emerged is a product of both evolution and intervention. Till the late sixties, policy interventions in the area of rural credit were mostly confined to the cooperatives. The All India Rural Credit Review Committee pointed out that, despite the support extended, cooperatives had begun to exhibit several weaknesses in the form of overdues and organisational ineffectiveness, and were not geared for meeting the growing credit needs of the agricultural sector. The committee, therefore, recommended a significantly enlarged role for commercial banks in agricultural credit dispensation. With the nationalisation of major commercial banks and setting up of Regional Rural Banks, branch banking in the rural areas acquired a new momentum, and the outreach was considerably enlarged within a relatively short period.

6.3 The rural credit strategy in the country has been founded on the philosophy of growth with equity". Financial viability and bankability of the investments were the major planks on which bank credit was made available. Various measures like administered interest rates, setting targets of lending to the agriculture sector, coupled with availability of refinance to the banks at softer terms, had helped in increasing the flow of credit to the agriculture sector. Stipulating targets to the banks ensured access of credit to marginal and small farmers. Loans to this group were made available at softer terms, e.g., lower down payment, longer maturity period and lower rates of interest. Such facilities helped these farmers also to adopt the technologies of farm production.

6.5 Initiatives Taken By the Government and Agencies

Agricultural Credit Review Committee (ACRC) was constituted under the chairmanship of Dr. A.M. Khusro in 1986 to make a comprehensive review of the agricultural credit system and to make recommendations for improving the quality of credit and strengthening its efficiency and effectiveness. The ACRC diagnosed that cooperatives as an institution, and credit cooperatives in particular, were suffering from structural weakness created due to politicisation, high level of overdues, poor deposit mobilisation and low profitability due to poor interest margins and non-viable operations. It was felt that there is an urgent need to revitalise the existing cooperative structure, if the system is to play an effective role in future. Credit cooperatives specially need to be revamped if they are to regain their pre-eminent position as distributors of agricultural credit. The committee recommended for setting up of the National Cooperative Bank of India.

6.5.2. Financial Sector Reforms

Based on the recommendations of the Committee on Financial System (Chairman: Sh. M. Narasimham), a number of initiatives have been undertaken to strengthen the banking system. The major components of the reforms encompassed reduction in the interest rate deregulation, prudential norms, competition, transparency and disclosures, supervisory system, risk management, credit controls and legal and institutional reforms which aimed at ensuring viability and soundness of the financial institutions and making the banking system strong, efficient, functionally diverse and competitive to support higher investment levels and economic growth. The reforms attempted to tackle the problems of low productivity, efficiency and profitability of the banking sector and aimed at bringing the Indian banking system on par with the well-established international financial standards. These financial sector reform measures were gradually extended to Cooperative Banks and RRBs from 1996-97. The important reform measures implemented in the banking sector are as under:

- Phasing out/reduction of statutory pre-emption in the form of CRR and SLR.
- Deregulation of interest rates.
- Adoption of capital adequacy standards and prudential norms regarding income recognition, asset classification and provisioning, etc.
- Entry of new banks in the private sector.
- Functional autonomy for the banks
- Transparency in accounting and disclosure.
- Creation of an independent body for regulatory and supervisory control over the banks.
- Setting up of Debt Recovery Tribunals.
- Financial restructuring.

6.5.3. Recapitalisation of The Commercial Banks

Recognizing that the nationalised banks need to augment their capital base to cope up with the changing operational environment, the Government has undertaken recapitalisation of the nationalised banks. The Government has contributed as aggregate amount of Rs. 20,446.12 crore towards recapitalisation of nationalised banks.

6.5.4. Revamping of RRBs

After considering various restructuring options, the stand alone approach was adopted for revamping of RRBs. The revamping efforts basically stood on the premise of enhancing earning capacity, improving management and organisational process, increasing efficiency by increasing competition and bringing early turnaround by financial restructuring. The aggregate amount of equity support provided to 187 RRBs as at the end of March 2000, was Rs. 2188.44 crore.

6.5.5. Recovery Management

The high level of Non Performing Assets (NPAs) of banks has been a matter of concern. Its reduction is closely linked to recovery. However, the recovery management has been impeded by the facts that laws have not been robust enough to provide comfort to bank’s efforts in reducing the level of NPAs. Various measures have been taken to address this issue which include setting up of Debt Recovery Tribunals and amendment to the Recovery of debts due to Banks and Financial institutions Act.

6.5.6. High Level Committee on Agricultural Credit

The RBI appointment R.V. Gupta Committee on Agricultural Credit through commercial banks with a mandate to identify constraints faced by the commercial banks in increasing the flow of credit to agriculture, introducing new products and services and simplifying procedures and methods of working with a view to enabling rural borrowers to access adequate and timely credit. Most of the recommendations of the Gupta Committee have been implemented which include simplification of procedures regarding loan applications, delegation of powers to branch managers, introduction of composite cash credit limits to farmers, introduction of new loan products with savings component, cash disbursement of loans, discretion to banks on matters relating to margin/ security requirements and dispensing with “No Dues Certificates” as a compulsory requirement etc. These measures will help in improving the flow of credit to agriculture. With some modifications, Gupta committee recommendations have been extended to the Cooperative Banks and RRBs also.

6.5.7. Micro Credit Innovations

Initiatives in SHGs Linkage Programme started with the launching of the Pilot Project in 1992 that aimed at promoting and financing SHGs across the country. Encouraged by the all-round positive impact, the RBI, in 1996 issued instructions to the banks to mainstream the SHG Linkage Programme under priority sector – Provision of micro – credit by banks has emerged as an important instrument for alleviating poverty by mainstreaming of SHG Bank Linkage programme. Micro-credit has been included in the list of eligible activity for being considered for FDI/NRI investment.

6.5.8. DAP/MOU Exercise

With a view to strengthening the Cooperative Banks and RRBs and keep them as viable units on sustainable basis, the system of preparing Development Action Plans (DAPs) and entering into Memorandum of understanding(MoU) with the concerned agencies was launched in 1993-94. The performance obligations arising out of DAP form the basis of the Memorandum of Understanding (MoU) while the RRBs enter into MoUs with sponsor banks, cooperative enter into MoU with the Apex bank, State Govt. and NABARD.

6.5.9. State Reform Package (SRP)

The National Bank had initiated the process of State-specific Reform Packages for cooperative banks during 1997-98. The basic objective of this package is to facilitate identification of problem areas in the reform process of cooperatives and tackle them in a phased manner. Preparation and implementation of reform package envisage prioritisation of the agreed reforms with a committed time-frame.

6.5.10. Organisational Development Intervention (ODI)

The process of Organisational Development Intervention (ODI) was initiated during 1994-95 in 49 RRBs selected for restructuring by GoI, with financial support from Swiss Agency for Development and Cooperation. Subsequently, it was decided to cover selected cooperative banks also under the ODI programme in a phased manner from 1998-99 with the financial support from Cooperative Development Fund. So far, 119 banks (6 SCBs, 4 SCARDBs, 4 PLDBs and 105 DCCBs) have been covered under initial phase of ODI. These ODIs were generally reported to be successful and instrumental in bringing about a change in the mindset and attitude of the staff and management of the banks towards the development of their institutions.

6.5.11. Cooperative Development Fund (CDF)

The National Bank has been supporting various development activities of cooperative banks from the Cooperative Development Fund (CDF) constituted under Section 45 of NABARD Act, 1981 to improve their functioning. The cumulative sanction and disbursement under CDF upto 31 March, 2001. aggregated Rs. 3991.74 and Rs. 2848.45 lakh respectively.

6.6 Kisan Credit Card Scheme

In order to facilitate credit delivery, timely and easy availability of credit to the farmers, KCC Scheme was introduced in 1998-99. The scheme is being implemented by Commercial Banks, Cooperative Banks and Regional Rural Banks. This scheme has got wide acceptability amongst the farmers since it ensures timely and adequate provision of credit, simplification of loaning prodedure and documentation and elimination of repeat process of loan proposals. As on 31.3.2001, 144 lakh cards have been issued by the banks involving an amount about Rs. 45,000 crores.

CHAPTER-VII

Future Institutional Development Strategies

7. GENERAL STRATEGIES

7.1 The magnitude of the likely credit flow required for doubling of food production over a period of a decade, as estimated by NABARD, is about four times the actual flow of agricultural credit. This coupled with credit requirements for high-tech agriculture, processing of agricultural produce, etc. pose a formidable task before the RFIs in effectively meeting the credit needs. The following are the some of the strategies for the purpose:

7.1.2. Recovery Performance

The recovery performance of the rural credit system in general has been poor and the factors contributing to the build-up of overdues have been both internal and external. Banking sector reforms have been made applicable to all the rural financial institutions and, such need for provisioning has made the improvement in recovery performance imperative. It is true, that no single remedy will be appropriate for RFIs operating in a very diverse economic and social environment. This may call for institution and area-specific measures to be put in place whereby a clear message about the recovery climate, which the state government would like to create, is put through. Many people believe that a major factor leading to poor credit discipline in the rural sector is its close identification with the State. The waiver of loans, implementation of large programmes like IRDP with involvement of state machinery, review of progress of credit linked programmes by State Officials, regulated interest rate regime, etc. has led people to believe that the rural credit was not commercial credit and it had shades of dispensation made by the State. Some of these impressions need to be changed.

7.2. Stamp Duty And Mortgage

Under the Reserve Bank of India instructions, banks issue loans upto certain amounts without any security other than the personal surety of the borrower and thereafter, against hypothecated assets created out of loans and/or mortgage of immovable property. In the background of not-so-good recovery performance in most of the rural financial institutions, the need to secure the loans by way of mortgage of real estate/land is strongly felt by a banker, particularly, when the amount of loan involved exceeds Rs.25,000/- or so. Creation of equitable mortgage in the case of hereditary property is not possible since the title deeds are not readily available for depositing with the banker. In most of the States, the stamp duty on simple mortgage and the procedure involved in registration of the mortgage create problems. The stamp duties are high and the procedures cumbersome resulting in increase in the cost of borrowing. In most of the developed countries, very large part of the bank loans are against mortgage. The stamp duties are usually very low at about half a per cent or so and the system of creation of mortgage fairly simple. Foreclosure of mortgages on default of loan is also very simple. The High Level Committee on Agriculture Credit through Commercial Banks (R.V. Gupta Committee) had, therefore, recommended for abolition of stamp duty on mortgage for agricultural loans. The Committee also found that the overall collection of stamp duty on mortgage is of such a magnitude as its abolition will not cause a significant revenue loss to the States. There is a need for making the state governments understand the implications of the above measure to be executed early. The high recovery rates of housing finance companies in our country is testimony to better recovery under mortgages.

7.3. Financing through Self Help Groups (SHGs)

Considering the fact that transaction cost for agricultural credit is high and there is banks' preference for large loans instead of small loans, the

intermediation of credit through SHGs or suppliers of agricultural inputs assumes great significance. The recovery performance of SHGs under NABARD sponsored schemes has been very high. There is need to sensitise regional heads and branch managers to the potential for good lending through this route.

7.4 Relief Measures

The rural credit system is exposed to various types of risks associated with agricultural financing on account of occurrence of natural calamities leading to wide fluctuations in the income flow. Appropriate policy support for providing relief to the victims of these calamities and suitable mechanism within the credit system for providing grace period closely aligned to the expected income flow of the farmers by extension of loan repayment period needs to be considered. The policy frame of RFIs does not seem to have absorbed the requirement in right earnest. With an appropriate agricultural insurance mechanism, the farmer will be assured of financial compensation when his income may fall as a result of reasons beyond his control, his allocative efficiency will improve. The efficacy of the new agricultural insurance scheme brought in vogue since Rabi 1999 requires to be seen in the context of the above need.

7.5. Leasing of land

Tenant farmers are generally not being considered for sanction of credit as most of such tenancies are oral and unregistered. The prevailing system is not conducive to efficiency as the tenant tends to cultivate and produce on a sub-optional level due to limited financial resources of their own and high rates of interest on borrowings from informal market. It is also observed that the oral system does not necessarily have exploitative element and in most cases, they are simple business transactions in which the returns are shared on a fairly equitable basis. It is also iniquitous for cultivators not to be allowed leasing of land in rural areas when a good proportion of housing property in the urban areas always remain on rent. It is, therefore, necessary that the oral leases are brought into the mainstream by legally recognising the right of the lessor and lessee to lease out/lease in the land for a fixed period. Such an arrangement should prove beneficial to about 20% of land-holders, and would lead to increased agricultural productivity and production.

7.6 Regional Rural Banks & Commercial Banks Specific Strategies

7.6.1. NPAs Management

The NPAs of RRBs though declining over the years still are at a very high level of 28 per cent. The more worrisome feature, however, is that the doubtful/loss assets of the RRBs form 20 per cent of their gross loans and advances. The NPAs of 26 RRBs form more than 50 per cent of their gross advances seriously eroding their lending capacity. Despite restructuring measures, 49 RRBs continue to incur losses and the credit dispensation capacity of these banks (located mostly in North-East, Bihar, Orissa, West Bengal, Rajasthan and Madhya Pradesh) is highly limited.

7.6.2 Deregulation of Interest Rates

Timeliness and adequacy of credit are critical factors in the flow of agricultural credit. Since the small loans involve higher inter-mediation cost, there is a tendency on that part of commercial banks to prefer larger loans where the rate of interest has been deregulated. R.V. Gupta Committee felt that the regulated interest rate for small loans acts as a barrier and, as such, has suggested that the commercial banks may be given freedom to fix the rates of interest for loans of all amounts. These and some other measures initiated on the recommendations of Gupta Committee are expected to yield positive results in terms of stepping up of advances for agriculture and allied activities by the Commercial Banks.

7.6.3 Behavioural Change

Gupta Committee had laid emphasis on behavioural change of the staff engaged in rural lending and suggested a package of incentives, such as, foreign exposure, training in prestigious institutions, weightage in promotions, posting to centre of choice, etc. and corporate recognition for outstanding performance. Committee strongly felt that these incentives will help in motivating the staff to perform much better and improving the morale of rural branch managers.

7.6.4 Staff Training

Gupta Committee recommended that ‘on the job’ exposure should be made a major training vehicle for new staff and should be duly supplemented by formal training. Besides training of the staff, the rural branches of the commercial banks need to be adequately staffed so that the often repeated problem of shortage of staff is mitigated.

7.6.5 Simplification Of Loan Documents

The recommendation of Gupta Committee on simplification of loan application forms, documents, etc., has been accepted by the Reserve Bank of India and instructions have been issued to the commercial banks. RBI has requested IBA to take action in the matter. RBI has also advised the banks to delegate adequate powers to the branch managers so as to enable them to dispose off 90% of loan applications at the level of branch. In order to avoid delay in sanction and disbursement of loans, production of “No Due Certificate” from banks/institutions by borrowers as a compulsory requirement has been dispensed with. Obtaining such a certificate is now left to the discretion of the lending bankers.

7.6.6 Performance Appraisal

Gupta Committee has recommended that the performance appraisal system for rural branches of commercial banks should be revamped with a substantially reduced weightage for deposit mobilization. Committee has recommended that indicators, such as, increase in outreach, measured by the number of new clients, volume of lending assessed on the basis of incremental increase in the flow of credit and loan recovery in terms of cash recoveries be included in the performance measurement of staff. Committee has further recommended that to bring about behavioural change and to strengthen the sense of mission of the bank staff, a package of incentives be devised and banks may evolve their own schemes for improving the morale of the rural branch mangers.

7.7 COOPERATIVES

7.7.1. The credit cooperatives are undoubtedly vital to fulfilling the requirements of agricultural credit. These cooperatives are providing more than 60% of the production credit and have played a vital role in boosting the agricultural production and achieving the self-sufficiency. Over a period of time, these institutions have come to a situation of helplessness and dependency syndrome because of the nature of their working and constitution. The cooperatives are today at the cross road of their existence, particularly in view of the fast emerging scenario of economic liberalization and globalization. Under the prevailing economic scenario, the cooperatives have to be strong enough to be competitive in the open market, otherwise, they will perish. We cannot afford to see these institutions wither away as they are important for the national economy and critical for the sustainability of the agricultural production system. The cooperatives, therefore must succeed. For this a multi-pronged approach is required. Efforts are afoot for quite some time to strengthen and revamp the cooperative credit system in the country. However, so far no concrete steps have been taken to ensure the sustainability of these institutions. The Department of Agriculture and Cooperation, Govt. of India had earlier appointed an Expert Committee to go into the question of revamping the cooperative credit system. Shri J.N.L. Srivastava Committee also studied these aspects and made important recommendations. Based on the reports of the above Committees, scheme for revamping the cooperative credit structure was framed by the department. The Finance Ministry subsequently appointed a Task Force under the Chairmanship of Shri Jagdish Capoor, Dy. Governor, RBI to suggest a package for the credit cooperatives. This Task Force has already submitted its report which contains recommendations encompassing the legislative, organizational, financial and operational aspects. The recommendations of this Task Force are still under examination of the Ministry of Finance.

7.7.2. It has been observed that a number of Committees and Task Forces have been appointed in the past which have made valuable suggestions. But the implementation has been a casualty so far. Therefore, it is imperative that the various recommendations are put into practice immediately. The Working Group has examined the whole gamut of functioning of the credit cooperatives and make the following recommendations:-

7.8. Statutory Reforms

7.8.1. Cooperatives are basically economic enterprises requiring proper legislative and policy support aimed at creation of an environment conducive to their healthy development. Provisions continue to remain in the cooperative laws which hinder and hamper the development of these institutions. A regulatory regime also restricted the autonomy of these cooperatives. Planning Commission had appointed Ch. Brahm Perkash Committee which submitted its report in the year 1991. The Committee suggested a Model Cooperative Law for all the cooperatives in the country. This Model Cooperative Law has, however, not been adopted by the States so far. Though, some States like A.P., Bihar, J&K, M.P. and Karnataka have passed parallel law for self reliant cooperatives, yet there is a need to amend the legislation for the main stream cooperatives. The Working Group strongly recommend the implementation of the Model Cooperative Law immediately.

7.8.2. There is a concern voiced about the duality of control with regard to the cooperative banks. It is, therefore, necessary that banking functions of the cooperative banks brought under the Banking Regulation Act. It is recommended that there should be clear demarcation of areas of functions of cooperative banks which should fall under the domain of RBI. Some of the banking functions which can exclusively be under the RBI/NABARD are given below:-

(a) Issues relating to interest rates, loan policies, investments, prudential norms, forms of financial statements, reserve requirements, appropriation of profits etc.
(b) Branch licensing, area of operation
(c) Acquisition of assets incidental to carrying on banking functions
(d) Policy regarding remission of debts

However, it should not be forgotten that the cooperative banks are vital for the rural area particularly the agriculture sector and have been discharging responsibilities and obligations which the commercial banks have been shying owing to risks involved. Therefore, the cooperative character and spirit of these banks has to be maintained and should not be diluted in the name of duality of control.

7.8.3. NABARD is now a National Bank for the cooperatives which provides refinance to the extent of about 23 percent of the total cooperative credit. NABARD also is a National Bank for the rural development. In order to provide adequate financial resources to the cooperatives, there is a need to have a separate National Bank exclusively for the cooperatives. A Cooperative Bank of India has already been registered under the Multi-State Cooperative Societies Act which has not yet been given a license. The Working Group feels that there is an immediate need to have a National Bank for the cooperatives in whatever form the Govt. finds it appropriate.

7.8.4. Most of the cooperatives are facing the problem of recovery of their loans and the over dues are mounting. Therefore, there is a need for an effective mechanism for recovery of the cooperative dues. The Working Group recommends the establishment of Cooperative Banks Debt Recovery Tribunals on the pattern of the commercial banks or cooperative courts on the pattern of Maharashtra.

7.8.5. A National Policy for the Cooperatives has been under formulation for quite some time. The Group feels that the National Policy on Cooperatives would be very helpful to give proper direction to the cooperatives and, therefore, should be put in practice immediately.

7.9. Organisational Reforms

7.9.1. The credit cooperatives have 3-tier structure on the short-term credit side i.e. Apex level, Central level and the Primary level. However, the lower tier of the structure has not been getting the deserved attention in regard to the interest share, marginal recoveries, etc. Because of the 3-tier structure the end users get the loan at high rate of interest which ranges between 14% to 18%. The group feels that measures should be taken for reorganizing cooperatives by voluntary amalgamation/merger and winding up the unviable societies. In smaller states even 2-tier structure can also do. The Group also feels that where a credit society is defunct, another society should be allowed to be registered to cater to the needs of the villagers.

7.9.2. There is a growing feeling that the ST & LT structures should be integrated into a single window organization in order to avoid unnecessary costs. The Group tends to support this proposition and suggests that the State Governments and the cooperative federations may take a suitable decision in this regard depending on the local conditions.

7.9.3. It has been observed that with the multi-tier structure as obtaining today, the higher tier tends to work in competition with the lower tier. The Group, therefore, suggests that the cooperative federations should be given the responsibility of promotion, guidance, information, etc. towards their affiliate members. There should be a system of integrated cooperative structure and the higher tier should promote the lower tier instead of competing with it. The concept of cooperative federations as suggested by Ch. Braham Prakash Committee is recommended for the supervision, monitoring and promotion of the lower tiers.

7.9.4. For management of the cooperatives the Group suggests that there should be an inbuilt mechanism of checks and balances in the cooperative legislation to ensure timely conduct of elections, general body meetings, BOD meetings and audit of the cooperatives. The respective federations may be made responsible for it.

7.9.5. The primary Agricultural Cooperative Societies (PACS) are being served by a cadre of Secretaries with regular pay scales. Some of the PACS are not able to bear the financial burden on this account and have gone sick. The Group, therefore, feels that there should be de-caderisation of the Secretaries service and the PACS should be allowed to choose their own men as per their capacity.

7.9.6. The Group observes that although the membership of the cooperatives in terms of principles has increase manifold, the dormant membership and the absence of active participation of members in their management have not only resulted in the sickness but also encourage the dominance of vested interests causing blockages in the percolation of benefits to the members. Therefore, member awareness is essential. The Group therefore, recommends greater participation of members in the management of cooperatives and promoting the concept of user members. The bye-laws should contain a provision for expulsion of non-user members by prescribing a minimum level of services to be used by the members.

7.9.7. There have been suggestions from cooperative structure that the inclusion of the DCCBs in the second schedule of RBI Act will confer better status to these banks. The Group, therefore, suggests that the SCBs and DCCBs which fulfil the norms and criteria laid down by RBI should be given scheduled status.

7.9.8. The Group feels that at present there is no mechanism in the cooperative sector to rehabilitate and to protect a cooperative which faces the danger of survival. It is therefore suggested that the cooperatives should have an Institutional Protection System by creating a fund for the purpose.

7.9.9. In order to meet the growing requirement of agricultural credit and to fulfill the target of the Xth Plan, the Group feels that there should be a separate National Bank for Cooperatives to supervise, monitor and meet the financial requirements of cooperatives.

7.9.10. The Group feels that in order to enable the cooperative institutions to diversify their business, they should be allowed to undertake the insurance activity on their own.

7.10. Financial Reforms

7.10.1. The functioning of the cooperative banks with serious financial weaknesses is inconsistent with the objective of transforming them into strong viable and self-sustaining institutions capable of channeling enhanced credit flow envisaged during the 10th plan period. The commercial banks and the RRBs have since been strengthened with recapitalisation. The Group is convinced of immediate need to recapitalise and revamp the functioning of the cooperative banks also. The recapitalisation requirement for cleansing the balance sheets of the cooperative banks in the short-term structure was estimated at Rs.6600 crores (1994-95) and Rs.600 crores in LT structure by the Study Group under the Chairmanship of Shri J.N.L. Srivastava. The amount consisted of three components.

i) Rectification of imbalances – Rs.2800 crores
ii) Wiping out the existing bed debts and accumulated losses – Rs.3800 crores.
iii) The requirement of the long-term structure was estimated at Rs.600 crores.

The Finance Ministry constituted a Task Force under the Chairmanship of Shri Jagdish Capoor, Dy. Governor, RBI to suggest a revitalisation package of the cooperative banks. The Task Force has suggested the rehabilitation package consisting of four dimensional programme encompassing financial, operational, organizational and systemic aspects. The recommendations of the task force are still under examination of the Finance Ministry. The Group suggests that the recommendation of the task force should be implemented immediately by affecting suitable modifications of the recommendations as per the financial requirements of the cooperative banks.

7.10.2. The cooperatives even at the primary level both the LT & ST structure should be declared as banks for mobilizing the deposits which will strengthen the financial base of the credit cooperatives. The Group also feels that the quantum of refinance provided by NABARD should be increased substantially. At present refinance meets about 23% of the total fund requirements. The refinance at a concessional rate should, therefore, be increased to around 50% of the total bank credit of the cooperatives. The resources of the NABARD should be augmented

7.10.3. The Group emphasizes on diversification of business products by the cooperative credit institutions. At the level of DCCBs, there is imperative need for devising attractive banking products for mobilizing savings. The cooperative banks must diversify their loan portfolios. If required the necessary amendments should be carried out in the State Acts.

7.10.4. The Group feels that it is necessary for the cooperative banks to maximize their returns on every unit of resource through an effective fund management strategy and mechanism. For this purpose institution specific investment policies should be evolved taking into account the composition of funds, maturity pattern of assets and liabilities, availability of money market instruments, exposure limits and efficient monitoring and control mechanism. All the SCBs and DCCBs should have investment cells.

7.10.5. The Group feels concerned about the poor recovery of cooperative banks particularly the lower tier. The group feels that the cooperative banks as suggested elsewhere in the report should have a proper recovery management system. The quality of loans, the timely monitoring and personal contacts with the loanees, adequate securities and proper follow-up would go a long way in ensuring recovery. The task force also recommends that in view of the high incidence of overdues there is a need to implement one time settlement programme immediately. NABARD has recently floated a one time settlement scheme.

7.10.6. The rate of interest being charged by the cooperative banks from the end users ranges from 14% to 18% which is quite high and is an inhabiting factor for the growth of agriculture credit. Group therefore, feels that a differential rate of interest not exceeding the PLR should be charged on the agricultural loans. The difference should be reimbursed by the government in the form of interest subsidy.

7.10.7. The Group notes with concern that the cooperative institutions have been debarred from undertaking the insurance business by the recent amendments in the Insurance Act 1938. The Group, therefore, recommends that in order to enable the cooperative banks to diversify their business, they should be allowed to undertake insurance business.

7.11. Operational Reforms

7.11.1. The cooperatives suffer from lack of professionalism. Therefore, there is an urgent need for appropriate HRD policies to be implemented by these institutions. There is a need for a well specified HRD policy for the recruitment, placement, training, career progression, managerial, etc. for the staff of the cooperatives. The Group feels that there should be an objective and transparent policy of recruitment of staff for the purpose of depoliticisation of the cooperatives and increasing their operational efficiency.

7.11.2. It is normally observed that the government appoints the departmental officers as CEO's of the cooperatives and in most cases the cooperatives are run by the government officers. This needs to be stopped forthwith.

7.11.3. The cooperatives lack appropriate internal control systems like internal and concurrent audit. This has led to poor MIS in these banks. The Group is of the opinion that cooperative banks should strengthen their internal checks and controls and MIS so that supervision and monitoring is more effective. The audit of the banks should also be got conducted through the professional chartered accountants.

7.11.4. The Group feels that the credit institutions lack the necessary information technology which is a must now-a-days. The cooperatives, therefore, should embank upon the information technology to increase its operational efficiency. Thr National/State Federations should be given responsibility.

CHAPTER – VIII

Development Of Non-Credit Cooperatives

8.1 Background

8.1.1 Non credit activities of the cooperative societies include marketing, processing, storage, cold storage, procurement and export/import of agricultural produce and allied activities which include handloom, poultry, fishery, dairy, sericulture etc. These societies have a wide network in the country at the national, State, District and village levels. In all, there were 3.61 lakh non credit cooperative societies with a membership of about 650 lakhs employing 8.16 lakh persons as on March 31, 1999.NCDC assists these cooperatives out of its own funds generated over the years and funds received from the Government of India under its Central Sector/Centrally Sponsored Schemes.

8.1.2. There are about 27,000 consumer cooperatives, 8,800 marketing societies, 263 cooperative sugar factories, 173 spinning cooperative mills, 87,000 dairy cooperatives, 90,000 housing cooperatives, 13,000 fishery cooperatives, 28,900 labour cooperatives, 19,900 industrial cooperatives, 8,000 women cooperatives and 6,100 transport cooperatives.

8.1.3 .The Working Group in the treatment of this Report has been guided by its knowledge of the fact that several special streams of the cooperative movement in the country such as housing cooperatives, consumer cooperatives, weaver cooperatives, dairy cooperatives etc. , have their own nodal/administrative ministries/departments which would be looking at their plans, programmes and proposals during the 10th Plan period for which separate Working Groups would have been constituted by the Planning Commission. The Groups has, therefore, confined its analysis and recommendations largely to the credit and non-credit cooperative development which has been separated by the plans/programmes of DAC/NCDC and NABARD. Some of the important highlights of non-credit cooperative societies are indicated in the following paragraphs.

8.2. Performance Review

8.2.1. Ninth Plan envisaged and recognized the cooperatives as economic organisations alongside the public and private sectors. A National Cooperative Policy has accordingly been finalised by the Government of India. The past few decades have witnessed substantial growth in the cooperative sector. The number of all types of cooperatives has increased from 1.81 lakhs in 1950-51 to 5.04 lakhs in 1998-99. Total membership of cooperative societies has also increased from Rs.1.55 crore to Rs.20.91 crore during the same period covering about 67% of the rural households and about 100% villages. They disburse about 43% of the total institutional credit. The share of cooperatives in fertiliser distribution is presently of the order of 35% while fertiliser produced by cooperatives accounts for 18.64% of the total fertiliser production in the country. 55% of the country's sugar production is by the cooperative sector. Various Central Sector/Centrally Sponsored Schemes for development of agriculture and allied cooperative societies continued to be implemented by the NCDC during 9th Plan period together with its own sponsored schemes. The achievement of the physical targets under the core activities of the cooperative sector during the 9th Plan has been by and large satisfactory. Scope of some of the Central Schemes implemented through NCDC, has been suitably expanded to make them more effective and need based.

8.2.2. It could be observed from the table below that there has been substantial growth in certain cooperative activities on account of adequate infrastructural support provided during the Plan period in comparison to the achievements at the end of the terminal year of the 8th Plan

(Rs. in crore)

S. No	Programme	Base level 1996-97 estimated	9th Plan (1997-2002) Targets	Achievements (Anticipated)
1.	Coop. Mktg. of Agril. produce	8427.00	10000.00	14000.00
2.	Value of fertilizers retailed by coops.	4527.00	4500.00	5150.00
3.	Value of consumer goods distributed in rural areas.	4500.00	6000.00	6000.00
4.	Coop. Sugar Factories installed (Nos.)	248	281	283

5.	Coop. Spinning Mills installed (Nos.)	160	**	**
6.	Capacity of cooperative godowns constructed (lakh tonnes)	136.43	144.42	141.29

8.3. Priorities for 10th Plan

The cooperatives sector has played an important role in the economy of the country and has been recommended as an integral part of national economy. It has made significant contributions in agro-processing, distribution of inputs like fertilisers and other agricultural inputs, storage and marketing. To face the challenges, which the new environment will throw up, the cooperatives would have to be structurally strong, financially competitive and functionally autonomous. Thrust of the 10th Plan should, therefore, be on enhancing the level of performance and efficiency of cooperatives with an accent on fuller utilisation of capacity, modernization/ technology upgradation/processing facilities, professionalization of management and institution building of cooperatives. Small producers, specially of perishable commodities, will have to combine and coordinate their efforts to secure benefits and value addition through grading, warehousing, processing and marketing to save themselves from exploitation by imperfect market conditions. There is an urgent need to enforce the Model Cooperative Law for democratic functioning, operational efficiency and financial viability of the non credit cooperatives. The National Policy on Cooperatives should go a long way in improving the functioning of these cooperatives.

8.4. Sectoral Performance

8.4.1. Agro-Processing: Agro-produce is generally characterized by its perishability and seasonality and bulk. The highly perishable commodities like fruits and vegetables call for instant post-harvest handling. This underlines the need for organized efforts at the farm level which a cooperative form of organization is logistically better placed at village level. Agro-processing being advantageous from the point of view of value addition, cooperatives can play important role in this activity as it provides vast opportunities to the farmers to create captive processing facilities. The major presence of cooperatives in the agro-processing sector is in sugar and cotton processing.

8.4.2. Under the cooperative sugarcane processing activity, to make the industry competitive and market oriented, it requires to be deregulated. The intensive cane development programme/cane management by sugar mills/cane development departments in the States are required to be undertaken alongwith varietal change according to requirement of mills, cane crushing needs to be increased to at least 160 days. System of State Advised Prices (SAP) requires to be abolished and payment to growers for cane should be made based on Statutory Minimum Price (SMP) during the season and 50% profit sharing at the end of the season. 15% mandatory procurement of levy sugar at reduced prices may be discontinued. The decontrol of molasses and diversification into value added down stream products may be allowed. In order to ensure adequate availability of cane to a cooperative sugar factory in its area of operation, the radial distance between 2 mills should be extended from existing 15 kms. to 25 kms. There is an urgent need to re-enact the Sugar Export Promotion Act to encourage export of sizeable quantity of sugar. Alternatively sugar export may be made mandatory on pro-rata basis by the Govt. of India and the losses incurred on account of export may be compensated through Sugar Development Fund (SDF). For the purpose, a part of cess earmarked to buffer stock may be increased to compensate such losses.

8.4.3. In so far as **cotton sector** is concerned, cooperative sector's major presence is in the area of procurement, marketing and **processing of cotton.** The share of cooperatives in the marketing of cotton has been fluctuating between 20-25% of the total production. In the case of spinning sector, the cooperatives consume around 14 to 15 lakh bales which is around 12% of the total production. The share of cooperative installed spindleage is around 12% in the country. Cooperative spinning mills, apart from sub-serving the interests of cotton growers, also sub-serve the interest of decentralized textile sector i.e. handlooms and powerlooms to meet their yarn requirements. During the 10th Plan, the emphasis should be on consolidation of the capacity already created, besides modernization and rehabilitation of the sick mills which have the potential for revival. The funds under the Technology Upgradation Fund Scheme (TUFS) of the Government of India may be provided on soft term basis to cooperatives. Financial viability and potential for improvement should be the criteria for considering the proposals rather than the past financial performance of the units. Cotton development should be carried out in the area of operation of grower cooperative spinning mills which could enhance the yield and quality of cotton grown in the area. It is necessary to review and rehabilitate sick units, which have potential for revival in the larger interest of rural economy. A separate rehabilitation fund with a corpus of Rs.1000 crore need to be created by the Govt. of India exclusively for cooperative processing units and should be kept at the disposal of NCDC.

8.4.4. Oilseed Sector: the cooperatives are mostly involved in procurement business. In the 10th Plan, the focus should be on improving the functional efficiency and minimizing cost. The structural changes should be carried out besides formulating action plan for better utilization of existing processing capacity in the cooperative sector rather than creating new capacity. Besides, emphasis should be on modernization and improvement of existing designs of the project on increasing cropping yields with better quality of seeds, strengthening of linkages through strategic alliance with private sector for processing, marketing and other related activities.

8.4.5. Efforts may be made to promote **horticultural cooperatives** in the hilly, north-eastern States and other areas by creating better infrastructural facilities. Cooperatives need to be encouraged to enter into this activity to minimize the large presence of intermediaries as also post production management including processing, storage and marketing.

8.4.6. In so far as **fisheries is concerned** India is endowed with 8.085 kms. of coastline and about 68.79 lakh ha. of inland water area which provides immense scope for fish production. Fish production, apart from its contribution towards foreign exchange earnings, has added in augmenting protein rich food, generation of employment opportunities and raising incomes of fishermen who are among the disadvantageous sections of the society. However, the cooperatives have not been able to make any major impact in the fisheries sector across the country. This may be because of various factors like poor hygiene, absence of sophistication in handling, inadequate information. There is, therefore, need for the policy reforms to help cooperatives to enter into this area in a large scale. To meet the financial requirements of the cooperatives, institutional funding may be enhanced.

8.4.7. Agriculture Marketing: Agricultural marketing is an important area which is required to be given adequate attention. There should be close links within the agricultural credit societies and marketing societies. Development of marketing should be a condition, precedent to the large scale expansion of credit. Cooperative marketing structure has not grown as expected and is weak and not being in a position to cope with marketing of huge surpluses. It calls for case to case analysis of marketing society and State marketing federations for drawing up rehabilitation and revitalization plans. Viability of marketing societies is also adversely affected because of too many tiers competing among themselves. There is, therefore, need to re-look at issues such as abolishing the Central and district level marketing societies. Unless there is potential enough to make them viable, they need to be liquidated. Multiplicity of societies at gross-root level need to be avoided particularly in mono-cropped areas which are predominantly in tribal areas. To be competitive, marketing cooperatives may adopt new techniques, enter into joint ventures, brand their consumer goods, use agmark etc. In so far as Minor Forest Produce (MFP) in predominantly tribal areas is concerned, the Government of India should consider to introduce the mechanism of price support scheme for important minor forest produces which are collected on mass scale and the majority of the forest dwellers livelihood is dependent on the same. The price support in the predominantly tribal areas should be assigned exclusively to TRIFED.

8.4.8. There is need to revitalise and strengthen fishery cooperatives in the country besides developing linkages between different tiers of fisheries. On the pattern of NAFED and TRIFED, the procurement and marketing of fish may be undertaken on a large scale by FISHCOPFED for which there is need to strengthen resource base of FISHCOPFED. FISHCOPFED should play major role in inter state fish trade and may also consider establishing cold storages at important fish marketing centres.

8.4.9. India has become World’s top milk producer, but the per capita availability even then is woefully low. Various survey’s indicate that the actual average milk intake is as paltry as 20 grams per day in parts of the Eastern Region, as against a high of 400 grams per day in the Northern Region. These levels reflect the vast scope for rise in milk product in the families with the triple benefits of nutritive food, supplementary income and productive employment for family labour especially women.

With a view to bringing faster and rapid growth of the dairy sector Department of Animal Husbandry and Dairying is implementing various schemes. National Dairy Development Board (NDDB) is also playing an important role in dairy development in country. The World’s largest dairy development programme. “Operation Flood”, being implemented by

NDDB and designed to link the rural milk producers with urban consumers by replicating the “Anand Pattern” has been completed. The main thrust of the programme was to consolidate the gains already achieved and strengthen the dairy cooperatives for sustainable development of dairy industry in India. In the post operation flood period, NDDB has chalked out a perspective plan to further growth and development of the dairy cooperative movement with major investments.

There are about 85,000 village dairy cooperatives, 170 milk unions and the State Dairy Federations in the country which are playing vital role in the cooperative sector and are providing large employment opportunities to people beside regular income to millions of small marginal farmers and landless.

To minimize the adverse impact of regional and seasonal imbalances in procurement and marketing, road milk tankers and rail milk tankers for long distance transportaion of liquid milk need to be strengthened. Veterinary services need to be provided to farmers at their door steps to look after the cattle, integrated dairy development projects in Non-Operation Flood, hilly and backward areas should be encouraged, farmers may be provided with technical support in terms of innovative breeding, feeding and management practices to support their effort in enhancing milk production. Institutional finance may be provided to cooperatives directly without State Govt. guarantee in order to minimize Govt. interference.

NCDC has a scheme for the development of dairy cooperatives. Under this scheme financial assistance is provided for the establishment of Integrated Project that includes the establishment of a milk chilling center of 10000 LPD and a milk processing plant of 50000 LPD. It will also provide technical inputs to milk producer’s organisations such as mobile veterinary care, artificial insemination etc. and also formulate fodder development programme.

The strategy during the 10th Plan for Dairy Sector will be aimed at consolidation of assets created, modernisation/ expansion/ rehabilitation of existing units besides extending the ambit of the scheme for production of milk (rearing of animals and livestock activities for all purpose like wool, skin, meat, fleece etc.).

8.4.10. Cooperatives are playing prominent role in the distribution of **agro-inputs** like fertilisers. During the 10^{th} Plan, the Government has targeted a growth rate of 4.5% p.a. for agricultural crops. Similarly, foodgrains production targets has been envisaged to achieve a growth rate of 3.57%. With this, the target for foodgrains production comes to 279 M.Ts. for the terminal year of 10^{th} Plan as against 199 M.Ts. production in 2000-2001. To achieve this, the fertiliser consumption levels have to be increased to the extent of 30 M.Ts. of nutrients. Out of this, 21 M.Ts. of fertiliser nutrients are anticipated to be consumed by foodgrains crops and remaining 9 M.Ts. by other crops. Cooperatives should aim at 15 M.Ts. distribution by the end of 10^{th} Plan which would increase the cooperative share by 4% p.a. Non-credit cooperatives like fisheries, milk, weavers, vegetables and horticulture etc., should also be encouraged to take up fertiliser business.

8.4.11. Cold storage credit linked subsidy scheme extended to cover rural godowns should be implemented in the 10^{th} Plan through both NABARD and NCDC which will enable small farmers to enhance their holding capacity which in turn will help them to get remunerative prices of their produce.

Creation of storage infrastructure by cooperatives will require to be implemented in the 10^{th} Plan keeping in view the expected increase in agricultural production and a consequent demand for creation of additional storage capacity with emphasis on repair/renovating existing rural storage facility so that the investment already made in the sector does not become infructuous.

Godowns, other than warehouses, are not recognized as warehouses at the present under the Warehousing Act. To enable farmers to obtain loans from banks against the storage receipts, Govt. should introduce changes to make the storage receipts as negotiable instrument by which farmers could hold their product back from market and meet their short term requirements by borrowing from banks against these receipts.

8.4.12. The Integrated Cooperative Development Projects(ICDP) scheme should be implemented during the X Plan with focus on promoting adoption of information technology and supplementing coverage of income generating activities. Keeping in view the effectiveness and usefulness of the scheme for the primary level cooperatives, the reduction in the rate of interests on loans should be considered as different State Govts. have been requesting persistently for a lower rate of interest on NCDC's loan. This is possible only when GOI may provide interest subsidy to NCDC under the scheme on estimated loan component during the X Plan. The quantum of subsidy should be enough to facilitate disbursal of loan by NCDC at a rate 4% less than its normal lending rate.

8.4.13. There are number of commodities where country is perceived to have a comparative advantage in international trade which should enable the cooperative to play more meaningful role in the export of agricultural commodities like pulses**,** foodgrains, coconut, fruits and vegetables, paddy, cotton and onion for which structural integration within the cooperative sector is badly required. A suitable Price Fluctuation Fund for cooperatives may be set up to avoid fluctuation of prices in international market to reduce the quantum of risk for which contribution may be necessary from the government in initial stages.

8.4.14. So far as labour cooperatives are concerned, the National Federation of Labour Cooperative's resource base need to be strengthened by allocating an outlay of Rs.15.55 crore during the 10^{th} Plan to enable it to undertake various labour development activities in the cooperative sector. An insurance scheme on the lines of a group insurance scheme of fishermen cooperatives may be initiated for the benefit of members of construction labour cooperatives.

8.4.15. The cooperative housing sector although doing well in providing adequate housing facilities to the people at affordable cost in urban as well as in rural areas, it is facing a number of constraints. In order to remove these constraints, the State Governments/U.T. Administrations should provide land to housing cooperatives at the rate at which acquired and on priority basis. Financing institutions like LIC, NHB, HUDCO etc. should provide additional loans to housing cooperatives at reasonable rates of interest. Estimated financial requirement of housing cooperatives during X Plan period would be Rs.5000 crore.

8.4.16. The four tier structure of consumer cooperatives comprises of 26500 Primary Consumer Cooperatives, 700 wholesale (Central Stores and 28 State Federations and

NCCF which is the apex body of consumer cooperatives in the country. Their estimated sales turnover is around Rs. 6500 crore. But unfortunately 50% of the consumer stores have been incurring losses due to unfavorable margins allowed in case of Public Distribution Scheme being implemented by them on behalf of state governments. The scheme for their rehabilitation through State Consumers Federations and NCCF needs to be prepared for strengthening of consumer cooperatives under NCDC Schemes, establishment of regional distribution centres in NE region and strengthening of consumer stores through NCCF. A consumer cooperative rehabilitation fund may be established by the government of India for providing financial assistance needed by consumer cooperatives. The NCCF and the State level Consumer Federations should explore the possibilities of entering into alliances with the manufacturers for marketing of their products including manufacturing of some items under their own brand for marketing through consumer cooperative network. The Central/State Govts. may consider making structural changes in the set up of consumer cooperatives by making them 2 tier system instead of existing 4 tier system i.e. wholesalers and retailers, which will cut various administrative costs ultimately resulting in price benefits. The NCCF being the apex national federation, may be considered to be declared as one of the agencies for import and export of consumer goods, alongwith other State Trading Enterprises. The consumer cooperatives engaged in retail trade of consumer goods would be expected to achieve an annual sales target of Rs.10,000 crore by the end of the 10^{th} Plan period.

8.4.17. Rehabilitation of non-credit cooperatives is an area to which adequate attention is required to be paid in the context of Government's declared objectives of doubling food production in 10 years. Grass-root level people-based institutions, like cooperatives, which have become sick and have potential for revival, are required to be rehabilitated and institutionally supported like those in other sectors of economy which have access to funds under BIFR. While there should, no doubt, be a clear exit policy for cooperatives which are not amenable to revival, sick cooperatives with potential for improvement need to be afforded enough opportunities. A Centrally Sponsored Scheme for rehabilitation of sick cooperative agro-processing units has been recommended by the Expert Group under the Chairmanship of Shri J.N.L. Srivastava, the then Addl. Secretary to the Govt. of India, Ministry of Agriculture, Dept. of Agriculture and Coopn ., and needs to be implemented through NCDC in the 10^{th} Five Year Plan.

8.4.18. One of the major areas of policy intervention is Information Technology. Providing efficient means of communication and Information Technology would empower rural population. It will help them to participate in decision-making, economic activities and in interpersonal communication. The setting up of Cyber Café or Internet Dhabas or e-governance are new initiatives in Information Technology Sector in rural areas. In a democratic country like India internet connectivity through e-governance would go a long way in empowering people living in rural area to meaningfully participate in the political decision making at local level, within the State and at National decision making. Availability of and easy access to Cyber Dhabas or Cyber Cafes and, therefore, local market rates for their agricultural produce will help the rural people to get a better price for their produce without middleman eating into their profits. It has potential for cooperatives at various levels to be in touch with each other through internet, allows participants to have better interaction in local rural economics such as domestic decision making, better planning of crops, better knowledge of markets, better integration of them into the family lives by allowing them to keep in touch with family members.

8.4.19. considering the accent on overall improvement in the efficiency levels of cooperatives characterised by quality in production, competitiveness in marketing and greater service and income to member, the focus in the coming years should be on intensive development of cooperatives calling for a strategic shift in its policies and procedures. The broad areas that have perceived scope and potential for future development are; Agro-clinics, Irrigation – Water Harvesting, watershed Development, Bio- Fertilizer, Bio-product, Organic Farming, Service Sector Cooperatives. Partnerships among cooperatives and their strategic alliances with private or public sector organisation, if need be should be the future agenda of the cooperatives.

8.4.20. With the opening of insurance sector, the intense presence of cooperatives in rural areas need to be utilised in spreading the activity of insurance as rural insurance in India has not really picked up to the desired level. Cooperatives with their vast net work could be considered for taking upon the activity of insurance in the rural areas, in the first instance.

8.4.21. Cooperative Equity/Development Fund : The Cooperative Sector has played an important role in the national economy. The National Agriculture Policy announced by the Govt. of India also underlines the role of the cooperative sectors in providing basic support to agriculture and also lays emphasis for providing active support for the promotion of cooperative form of enterprises besides ensuring greater autonomy and operational freedom so as to improve their functioning by providing thrust on improvement in financial viability and organisation sustainability of cooperatives. In an inflationary economy, even the best of cooperatives in the best of times find if difficult to muster the required equity capital. This is especially true of agro-processing units where upto 40 per cent of the project cost has to be met by way of equity. This condition, although applicable equally to all units whether they be in the private, public or cooperative sectors, tends to affect the cooperatives the most, marginal farmers or people of small means whose access to resources is really limited. This calls for alternatives like the National Equity Fund (NEF) for small and medium industries operated by SIDBI. The NEF is utilised to meet the needs of promoter's contribution through interest free loans or loans bearing nominal interest. The recent report of the Expert Committee on Small Industries has suggested further strengthening of the NEF. On the same analogy, a Cooperative Equity/Development Fund can be thought of – both at the central and State levels, from which short fall in the promoters' equity and other requirements of development can be met.

8.4.22 NCDC has been given the prime responsibility for promotion of the cooperatives. The activities and scope of NCDC has, therefore, to be widened suitably by amending the NCDC Act. NCDC should be converted into and equity based financial institution to enable it to raise its resources. It is required to coverage/dovetail its schemes with other institutions doing the similar job like NABARD, NCUI, etc. NCDC should be declared as a public financial institution. Funds to NCDC should be provided by Central Government on concessional terms for implementing the programmes with socio economic objectives.

8.4.23. The summary of programme and outlays for 10th plan in respect of schemes to be implemented by NCDC are indicated in **Annexure-XII.**

CHAPTER – IX

Training And Human Resource Development of Cooperatives/RRBs

9.1 Cooperatives in India were considered initially as instruments of self-help by the poor and, therefore, their focus was to provide credit and supply essential goods to their members without profit. They worked as credit and supply societies to counter the ill play of the money lenders. Cooperative movement was influenced by the recommendations of various committees from time to time. The all India Rural Credit Survey Committee Report, 1953 whose recommendations were based on 3 years of hardwork and systematic research made the recommendation that the State should participate in the cooperative movement directly so that financial and managerial assistance is available to consolidate them. Consequently, Government became the major partner in most cooperatives which slowly and gradually led to their taking over by it.

9.2 The cooperative societies are mostly dependent on the Government for financial assistance (Government, NABARD, NCDC etc.) and the RCS continues to be their controller without whose prior consent or approval they cannot take and execute any decision. The state assistance led to State intervention, then State domination and thereafter State management of cooperative societies in India. This gave rise to the class of employees occupying key positions in cooperatives who are more loyal and responsible to the Government than to the members who are the real owners of cooperatives. These employees are paid and promoted without any linkages with the performance of cooperatives placed under their sole controls. Often, they have tried to manage cooperatives with the instrument of book keeping, cooperative law and the Government circulars without any knowledge of business principles and practices often leading to heavy losses. Members are seldom considered as resource or the real owners of cooperatives. The tragedy of the situation is that members also never realise their responsibility and authority and remain contented with their reins being in the hands of those who do not have any stake in their enterprise. Member education programmes launched and implemented by the State Cooperative Unions have althrough focused on cooperative principles only and their role as owners and cardinal stake holders has been conspicuously ignored.

9.3 The recent liberlised public policy now allows the market forces to play in the market freely and without stringent regulations and controls. Competition and not protection is the watch word. In other words, cost and the product/ service features are the key determinants giving rise or fall to the players in the market. Cooperatives, therefore, must build their competitive strength and run at a speed enough to create dust for others, else they will have to eat it themselves.

9.4 HRD in the organisational context is the process of organising and enhancing the physical, mental and emotional capabilities of individuals for productive work. it is essentially a process of helping people to acquire competencies and to increase their knowledge, skills and capabilities for better performance and higher productivity. The people who spend a greater part of their working lives making their organisation work better is to be the sole objective of any good HRD policy. To be able to survive and grow, cooperative organisations will have to manage and master the change properly. It they cannot do, they could end up like dinosaurs and become extinct. Thus, they have only one option: either be beneficiary or the victim of the change. HRD being the prime need of the business is the responsibility of the cooperatives themselves. It is not justified to expect any external body to do this job for them because it is neither possible nor desirable. Therefore, cooperatives need to ensure that members and employees are regarded as human resources important for the sound development of the cooperative enterprise. Therefore, their competencies are to be continuously improved and ample opportunities provided for the use of such refinements in improving the operational efficiency of cooperatives.

9.5 In many cases, training is treated as a perk (or punishment) rather than competency building opportunity for the employees. At time, it is fire-fighting device at the time of introduction or failure of certain schemes introduced and implemented by cooperatives. There is a need for a manpower plan at the level of each cooperative society which indeed has to be linked with the Business Development Plan of the enterprise. The primary level on the recommendation of Khusro Committee Report, however, could not gain the expected support of either the cooperative department or the cooperative societies themselves. Such a non-business like attitude of those at the helm of affairs offers enough explanation for the absence of HRD awareness in cooperatives.

9.6 It may be said that liberalised economy, likely to increase the market competition to such a level that survival of the fittest hitherto regarded as a discarded principle by civilised societies will now have its hey days. Therefore, in order to retain the much sought after autonomy, cooperatives will have to ensure their survival and growth by not insulating themselves from external competition but successfully facing it. Hence, HRD activities in cooperatives will need to be much more systematically organised with a long range perspective. Cooperatives must realise that enlightened members, competent office bearers and employees are their own need and no one from outside may be expected to support activities to build such human resources for them. They must, therefore, make adequate provisions for HRD in their annual budgets and spend each rupee with proportionate returns on it. Their business plans must decide the strategies for the HRD in cooperatives; and the pay, perks and promotions need to be linked with the performance of employees and directors. A highly competent motivated team of employees and office bearers and enlightened and empowered members should be the mission of the HRD policies in cooperatives.

9.7 The Indian Cooperative Movement consists of 5,03,962 cooperative institutions at different levels with a total membership of 210 million. The total number of employees in cooperatives is estimated to be 10,76,000 out of which 3,81,000 persons are employed in credit sector and 6,95,000 persons are engaged in other cooperatives. In the IX Five Year Plan period, all the member education programmes of State/District Cooperative Unions are likely to benefit 52,13,553 persons and the education field projects of NCUI will cover about 7,26,395 persons in different sectors like agriculture, handloom and handicraft. The training units of NCCT will train about 1,41,571 persons by the end of IX Plan period. The total beneficiaries of Leadership Development Programmes of National Centre for Cooperative Education of NCUI are expected to be 10,917 persons.

9.8 The NCCT set up under NCUI has the overall responsibility for formulating policies and managing cooperative training programmes in the country. The training programmes are being implemented through various training agencies like VAMNICOM at Pune, 5 Regional Institutes of Cooperative Management and 14 Institutes of Cooperative Management located in different states. Besides, NCCT provides academic guidance and technical support to Junior Cooperative Training Centres numbering 95 in various states. The State Cooperative Unions are also engaged in the training of cooperative leaders and officials through the Junior Training Centres under the overall guidance of NCCT/NCUI. The leadership development programmes for cooperatives are being conducted by NCCE.

9.9 The training facilities for specific sectors of the cooperative movement have been created by NCDC, NABARD, State Cooperative Banks, State Cooperative Agricultural and Land Development Banks, State Cooperative Unions, IFFCO, NDDB, Urban Cooperative Banks and others.

9.10 The Cooperatives are member owned and member controlled enterprises. Therefore, active participation of members in resources, management and surplus sharing is the key to their success. Therefore, not only managers and employees but members and elected leaders also constitute human resources of cooperatives and, thus, need to be developed constantly. Their professional approach and managerial competence can alone put the cooperatives on a continued success path especially when the environment is highly competitive.

9.11 The prime responsibility for HRD has to be that of the cooperatives themselves. Therefore, they have to shed away their dependence on the government and others for financing their HRD requirements. They must make provisions in their budget for this important activity.

Cooperatives should attempt to draw their own plan for training on the basis of scientific assessment of training needs. Cooperatives should bestow top priority for imparting training to managerial personnel as also to the staff below the line periodically on the basis of felt needs. Emerging changes and needs should be constantly assessed for evolving appropriate training programmes.

9.12 It is recommended that a Standing Committee for coordinating training arrangements should be constituted by NCUI at National level with other representatives of national/major training institutions, sponsoring agencies like NABARD and NCDC as members. On similar lines, State level Coordination Committee should be constituted by

NCUI with RCS as Chairman and representatives of state level training institutions, user organisations, state cooperative unions etc. as members.

9.13 It is suggested that NCUI/NCCT may introduce distance learning programmes for cooperative personnel on the lines of recommendations made by the expert committee constituted by NCCT to evaluate its performance. Govt. of India should make adequate budgetary provision in the 10^{th} Plan for the purpose of introduction of distance learning programmes.

9.14 Cooperatives should introduce management trainee scheme in order to induct qualified and competent people at the middle level management. At middle and higher level management, at least 50% of the posts should be reserved to be filled only by direct recruitment.

9.15 Educating members is the basic responsibility of cooperative themselves to sub-serve organisational and client interest. Needed support-both financial and material for implementing member education programmes should be provided by district and State Cooperative Unions which are also equally responsible for education and training. Looking to the importance of educating and enlightening members in the cooperatives, Govt. of India may provide for adequate funding support to the programmes of member education to be implemented through the projects and programmes of NCUI in the X Five Year Plan. National Level Cooperative Institutions like IFFCO, KRIBCHO and NAFED etc. should establish education projects in their respective sectors for the benefit of primary cooperatives.

9.16 The projects implemented and programmes undertaken by NCUI and State Cooperative Unions are found to be grossly inadequate to cover the large target group. Some portion of the education fund should be earmarked by the State Cooperative Unions for member education programmes. For such programmes conducted in the North Eastern region, funds should, forth come from Govt. of India. The Institutions like Man Power Development and Management Institute (MDMI) at Shillong should be given adequate financial assistance by the Govt. of India through North eastern Council for capacity building to undertake increased number of education and training programmes. Member education should also be an important function of the training centres run by the

State Cooperative Unions. The cooperative unions should coordinate the programmes at the district and State level.

9.17 RICMs/ICMs at the State level are the major strength of the cooperative training system in the country. They will be responsible for training the faculty of Junior Training Centres, cooperative institutions and field functionaries responsible for providing other support services like preparation of materials for educating members and modules for educational programmes keeping in view the institutions and sector specific needs and expectations.

9.18 In cooperatives with federal character, higher tier cooperatives at the district and State level should play a major role in the member education programme at the base level looking to the structural weakness of such base level cooperatives. Funding support should also be made available by them to the programme by making adequate budgetary provisions.

9.19 In order to educate the youth on the values and benefits of cooperation, it is suggested that a separate subject on “Cooperation” should be included in the curriculum of schools and colleges. The State Govts. may be persuaded to take urgent steps to implement the proposal. The National Centre for Cooperative Education of National Cooperative Union of India should conduct Leadership Development Programmes in different States in collaboration with the sectoral federations and RICM/ICM. NCCE should also organise Trainers Training Programmes for the faculty of Junior Training Centres. The Training Institutions of NCCT should conduct atleast 25% of their programmes for the office bearers of the cooperatives in different sectors. The federal institutions in different sectors should evolve schemes for organising Leadership development Programmes in collaboration with training institutions. The cost of such training should be shared by the federation and the sponsoring member institutions.

9.20 The Inter-state Study Visit scheme of the National Cooperative Union of India should be continued as it is found to be highly useful by the office bearers of cooperatives. Adequate budgetary support should be provided by the govt. of India, particularly for the visits organised to benefit the cooperative leaders of north eastern region.

9.21 The Junior Cooperative Training Centres should be equipped to conduct need based Leadership Development Programmes for the primary cooperatives in collaboration with the RICMs/ICMs. A special scheme should be evolved under the existing Central Sector Funding Plan of the NCCT to assist Junior Training Centres.

9.22 In the context of fast changing economic scenario, cooperatives have realised that their survival depends largely on improving their competitive strength and modernising the business operations. Information technology has been recognised as an effective instrument full of potential to build up the competitive strength, particularly in the context of flow and utilization of information relating to markets, competitors, products etc. However, due to traditional perception and dependence on government support, the cooperatives have been rather slow to capitalise the gains and opportunities emerging from the growth and expansion of information and communication technology.

9.23 There is a need to work out a scheme for financial assistance for Information Technology. There may be two lines of financial support, Govt. may formulate a Central Sector Scheme to support cooperatives by providing loans and grant-in-aid to cooperatives for computerisation and application of information technology. Other important component of scheme may include support to cooperative HRD institutions particularly to the institutions under the umbrella of NCUI/NCCT to organise appropriate sensitization and training programmes for leadership and managerial personnel of cooperatives. Financial assistance schemes of NCDC, NABARD and other donor institutions may be made more broad based by widening their scope to include component of financial assistance to cooperative institutions for computerisation.

9.23.1 Institutes of Cooperative Management including NCCE should diversify their training programmes in the field of information technology as per specific needs of various sectors of the movement. VAMNICOM, Pune, should devote greater attention to develop appropriate software programmes in the field of information technology and computerization apart from sensitizing top level and policy makers in the cooperative sector and government officials.

9.24 The present pattern of funding the cooperative education and training programmes in the NCUI and NCCT under Central Sector Scheme should be continued by the Govt. of India in the 10th Five Year Plan. Any change in the present pattern of funding should be attempted only after taking into account the low paying capacity of the cooperative sector for HRD services.

9.25 The existing pattern of funding the NCCT which should be continued by the Government of India during the Tenth Five Year Plan will require an estimated outlay of Rs. 10,765 lakhs for Tenth Five Year Plan period which includes regular establishment expenses, training cost, resources required for upgrading computer centres and establishment of new institutes.

9.26 The Working Group strongly endorses the recommendations of the expert committee constituted to evaluate the working of the NCCT regarding creation of Corpus Fund of Rs. 300 crore to make the NCCT self reliant over a period of time. The pattern of contribution to this Corpus Fund may be adopted as suggested by the Expert Committee which envisages contributions from the Central and State Govts., cooperative movement and others like RBI, NABARD, NDDB etc.

9.27 In view of the tangible impacts created by the education field projects scheme being implemented through the NCUI, 30 additional projects may be established during the 10th Five Year Plan period @ 6 projects each year. This proposal and on going 40 projects will require a total outlay of Rs. 2660 lacs from the Govt. of India.

9.28 The cooperative education programmes and projects are presently monitored by the NCUI and the cost of monitoring is shared in the ratio of 80:20 by the NCUI and the Govt. of India. The same pattern may continue for 10th Five Year Plan. This will require an outlay of Rs. 615 lakhs during the plan period.

9.29 The member education programmes of State Cooperative Unions need to be supported by the Govt. of India by providing supplementary financial assistance through the NCUI. This scheme will require budgetary support of 6.15 crore during the X Plan.

9.30 The Junior Cooperative Training Centres scheme being run the State Cooperative Unions should be strengthened by a special scheme to set up computer labs and improve their infrastructure facilities in a phased manner. The GOI should provide atleast 50% of the financial requirement for this scheme i.e. Rs. 40 crores.

9.31 The management development and management education programmes conducted by the institutes under the umbrella of NCCT and other agencies need to be suitably modified to include the concept of value based professional management in cooperatives. It would be in fitness of the things that the manual prepared by ICA/NCCT is adopted by the cooperative training institutes and manual based series of programmes organised on continuous basis.

Regional Rural Banks

9.32 As on March, 1999 all the 196 RRBs functioning through 14499 branches had total staff strength of 70484. 41% of them are officers, 36.5% clerical staff and remaining represented sub staff. It is observed that there is no HRD policy “per se” which exists in RRBs. The rules and regulations are stipulated by the Central Government which covers organisational structure, staff strength, appointment, promotion, superannuating and salary structure. Their respective sponsor banks prescribe the residuary and operational guidelines.

9.33 In order to develop the RRBs on sound lines during the 10^{th} Five Year Plan period, the following recommendations are made.

9.33.1 Subject to broad framework stipulated by the Govt. of India, there is a need to decentralizes the HRD Policy and entrust the task to the Board of Directors of these banks. Central prescription of detailed instructions on HRD issues to be adopted uniformly by all RRBs may not be desirable for them. The approach during 10^{th} plan should be to empower the board of directors and delineate specific areas concerning responsibilities and accountability of board members.

9.33.2 Sponsor banks must have a clear policy of selection, appointment, incentives etc. of the Chairman. RRB with deposits of more than Rs. 100 crore should appoint the chairman from the open market.

9.33.3 Each RRB should prepare a comprehensive phase-wise plan for computerisation covering areas of hardware, software and manpower availability. RRBs should aim at computerising all their semi-urban and urban branches by the end of 10^{th} Five Year Plan period. The sponsor banks, NABARD, RBI may provide financial assistance in the form of soft loan/ grant for this purpose.

9.33.4 Each RRB may formulate a training policy covering all personnel including board members. It should also include preparation of training calendar and training budget. The training facilities of BIRD, CAB, NIBM and NCCT should be utilised by RRBs.

9.33.5 The total training budget for RRBs to train 40000 employees works out to Rs. 255 crore. The Govt. of India/Planning Commission may provide for at least 50% of the budget while the rest could be met by the RRBs, sponsor banks etc.

9.33.6. The government and the sponsoring banks should sponsor their nominee Board members for appropriate training to be conducted at CAB, BTC, BIRD etc. to sensitise them appropriately about their role. Where the RRBs are in profit, a part of the expenses can also be borne by the RRBs. The areas of training should cover, in addition to the ongoing orientation, specific areas such as investment management, bank management, business and profitability planning, regulatory environment, managing industrial relations, etc.

CHAPTER X

Risk Management And Crop Insurance

10.1 Risk Management in Agriculture

Agricultural production involves numerous risks, natural, social, economic and personal. But the principal characteristic, which distinguishes crop production from any other activity is it's great dependence on nature. Crop production unlike almost any other activity, has to be carried on in the face of continual uncertainties arising out of diverse natural and social elements. Normally the greatest impact of all these elements falls on crop production.

10.1.2. Uncertainty of crop yield is thus one of the basic risks which every farmer has to face, more or less, in all countries, whether developed or newly developing. But these risks are particularly high in newly developing countries. Again, in most of these countries the overwhelming majority of farmers are poor and have extremely limited means and resources and are, therefore, unable to bear the risks of crop failure, especially when they are of a disastrous nature.

10.1.3. It is true that much of the present uncertainty of crop production in the newly developing countries like India could be removed by technical measures and by improvements in social and institutional set-up. Still, a good deal of uncertainty will always be there, as no imaginable measure could make crop production completely independent of the natural hazards and also, the physical measures are to be justified by their cost-benefit ratio. There may be many places, for example, where flood is preventable, but the cost of prevention measures would be far out of proportion to their benefit. In such cases it would not be proper to spend more capital in preventing a risk than would be lost by the risk itself (especially where capital is so scarce).

Therefore, the risks of crop production have to be faced. A serious crop failure has cascading affect leading to serious repercussions for entire society. Various methods have been adopted for helping farmers to compensate, at least partially, for loss of their crops through natural calamities. Reduction or suspension of land rent, taxes, cancellation of accumulated agricultural debts (example of Rural & Agricultural Debt

Relief Scheme, 1990), and relief from CRF are the more usual of the methods applied so far. But an important measure that is largely free from the above difficulties is crop insurance against all natural and unavoidable hazards.

10.2 Risk Management through Crop Insurance

Crop insurance is a more efficient risk management tool than the traditional risk reducing strategies, such as crop diversification, inter-cropping, mixed farming, integration of farm etc., available to farmers. If a farmer were assured of financial compensation when his income is considerably low for reasons beyond his control, he would more likely allocate his resources in a manner that would maximise his return. He would grow more of the most profitable crops even if they are more risky and also he is more likely to adopt advanced technologies despite involvement of high risk. In India conditions where crop insurance is linked to crop credit, it would also improve the position of credit recovery.

10.3 Crop Insurance in India

Some sporadic efforts for the implementation of Crop Insurance for specific region and crops were made during the period 1970-80 with a view to providing to the farmers a measure of insulation from the adverse effect of natural calamities first time on all India level a Comprehensive Crop Insurance Scheme (CCIS) was introduced by the Government of India w.e.f. Kharif 1985.

10.4. Comprehensive Crop Insurance Scheme (CCIS)

The Comprehensive Crop Insurance Scheme (CCIS) which was in operation from Kharif 1985 to Kharif 1999 was based on area approach and linked to short term crop credit. The Scheme was implemented by 19 States and 3 Union Territories, viz. these were 1. Andhra Pradesh 2. Assam 3. Bihar 4. Goa 5. Gujarat 6. Himachal Pradesh 7. Jammu & Kashmir 8. Karnataka 9. Kerala 10. Madhya Pradesh 11. Maharashtra 12. Manipur 13. Meghalaya 14. Orissa 15. Rajasthan 16. Tamil Nadu 17. Tripura 18. Uttar Pradesh 19. West Bengal 20. Andaman & Nicobar Islands 21. Delhi and 22. Pondicherry.

The summary of coverage particulars until Kharif 1999 since inception is as follows :

Total number of farmers covered	:	7,61,79,361
Total area covered (Hectares)	:	12,75,13,668
Total Sum Insured (Rs. Crores)	:	24922
Total Insurance Charges (Rs. Crores)	:	402.83
Total claim (Rs. Crores)	:	2302.68
Claims ratio	:	1:5.72

Majority of the claims were paid in the States of Gujarat Rs. 1086 Crores (47%), Andhra Pradesh Rs. 482 crores (21%), Maharashtra Rs. 213 crores (9%) and Orissa Rs. 181 crores (8%). Among causes, drought was the chief cause, accounting for nearly 75% of claims, followed by floods with 20%.

10.5. National Agricultural Insurance Scheme (NAIS)

Keeping in mind demands of States for improving scope and content of CCIS, a broad-based "National Agricultural Insurance Scheme (NAIS)" is introduced in the country w.e.f. Rabi 1999-2000 season.

The Salient Features Of The Scheme Are Summarised As Follows

a) **States & Areas Covered :** The Scheme is available to all States/ U.T.s

b) Crops Covered : (i) food crops & oilseeds & (ii) annual commercial/ horticultural crops (During the first year cotton, sugarcane and potato were covered and during the 2nd year, four more crops, viz. onion, chilies, turmeric & ginger have been included. Other eligible crops under the group are expected to be covered by the 3rd year).

c) Farmers Covered : Covers all farmers, including sharecroppers, tenant farmers. Loanee farmers are covered on compulsory basis, while non-loanee farmers are covered on voluntary basis.

d) **Risks Covered :** Basically all-risk insurance covering all yield losses due to natural, non-preventable risks.

e) **Sum Insured :** Sum insured can extend upto value of 150% of average yield. In case of loanee farmers the sum insured is equivalent to at least 100% of loan amount availed for the crop.

f) **Premium Rates :** Premium rates may range from 1.5% to 3.5% food crops & oilseeds and on commercial lines (actuarial basis) for annual commercial/ horticultural crops.

g) **Premium Subsidy :** Small/ Marginal farmers are eligible for premium subsidy @ 50% which is to be phased out on sun-set basis in a period of three to five years subject to review of financial results.

h) **Nature of Scheme :** It is a yield guarantee scheme operating on “Area approach” basis. If the actual average yield per hectare of the insured crop for the defined area (on the basis of requisite number of Crop Cutting Experiments) in the insured season, falls short of specified Threshold yield, all the insured farmers growing that crop in the defined area are deemed to have suffered shortfall in their yield and the scheme seeks to provide coverage against such contingency.

i) **Risk sharing :** Implementing Agency (GIC) shall bear, until transition to actuarial regime is made, all claims upto 100% of premium for food crops & oilseeds and balance claims are shared between Govt. of India and States on 1:1 basis. In respect of annual commercial/ horticultural crops, Implementing Agency shall bear all claims upto 150% of premium in the first 3 or 5 years and 200% of premium thereafter. All claims beyond the liability of GIC shall be paid out of Corpus Fund.

j) **Corpus Fund :** To meet claims of annual commercial/ horticultural crops beyond the liability of GIC, a Corpus Fund is created with contributions from Central Government and participating States on 1:1 basis.

While only nine (9) States/ U.T.s implemented the Scheme during Rabi 1999-2000 season, nine (9) more States joined by Rabi 2000-01 season. The coverage during Rabi 1999-2000 was modest, with coverage of 5,84,239 farmers for a sum insured of Rs. 339 crores with a premium of Rs. 5.24 crores. The claims for the season have been within the premium at Rs. 3.34 crores.

The coverage during Kharif 2000 season was on expected lines. 85,61,530 farmers were covered for a sum insured of Rs. 6918 crores, earning a premium of Rs. 204.35 crores.

The Expected Coverage During X-Five Year Plan Are As Follows:

NAIS – Expected Coverage During X- Five Year Plan

S. No.	Year	Coverage of Farmers	Sum Insured (Rs. Crores)	Premium (Rs. Crores)
1.	2001-02	1,10,00,000	10,000	250
2.	2002-03	1,25,00,000	12,000	300
3.	2003-04	1,50,00,000	15,000	375
4.	2004-05	1,75,00,000	18,000	450
5.	2005-06	2,00,00,000	24,000	600

10.6. Designing A Cost Effective And Beneficial Crop Insurance Scheme

Arising out of the incapacity of farmers to pay commercial rates of premium and the need to keep the production and commodity prices stable, the crop insurance schemes world over are supported by the Government. The support is ranging from subsidizing premium rates to absorbing administrative expenses and providing reinsurance. An analysis of CCIS costs reveal that as much as 87% of the costs were paid by the Govt., while premium paid by farmers could account for only 12% of total cost. Although under NAIS, the coverage has been designed to be beneficial to the farming community, the costs have been spread among the GOI, State Govt., farmers and Implementing Agency (GIC). Some of the suggestions in achieving the objective of cost effectiveness could be:

a. There is a scope for sharing of premium cost by lending institution (on the lines of Philippines) can be thought of to reduce the premium burden to farmers.
b. Streamlining agricultural/ crop relief through crop insurance.
c. Linking Premium subsidy to the risk levels which may vary for a crop, area, farmer and season.

10.7. Suggestions

10.7.1. Under the present circumstances in the country only area approach scheme can be operated, though the scheme based on the individual approach is most desirable. The Group noted with satisfaction that a small beginning for individual assessment of yield wherever localized calamities occur, is made. Even though, individual assessment of yield involves huge cost and a number of trained surveyors, efforts should be made to encourage and expand this methodology. A special cadre of investigators and loss assessors should also be developed for the purpose.

10.7.2. As per the provisions of the Scheme, the Implementing States are required to reduce the Insurance Unit to the level of Gram Panchayat (GP) in a period of three years. In case where there is no structure of GP in States, it is recommended that the other contiguous units such as Block, Mandal, Circle etc. may be allowed as unit of insurance. The members were of the view that District as the Unit of Insurance should not be allowed due to the fact that District is too big a unit and is unlikely to be homogenous.

10.7.3 Small Area Crop Estimation Method (SACEM), which is being implemented on experimental basis from Rabi 2000-01 season employs estimates obtained through sample surveys for a larger level in arriving yield estimates at smaller area levels through scaling down by use of additional information available from various sources. The additional information on crop production for smaller area generally obtained through farmers' appraisal using well tested structural questionnaires regarding crop production. However, in States like Maharashtra the information for smaller area (village) is already available under paisa-wari system. Possibility may therefore, be explored in scaling down the higher level yield estimates by utilizing this information.

10.7.4 In areas prone to regular calamities, the guaranteed yields have come down drastically due to application of moving average, which considers preceding 3 or 5 years. Considering the situation, the group recommends for consideration of guaranteed yield based on yields of Normal years or best 3 out of 5 preceding years.

10.7.5 For many crops, the level of Indemnity has come down to 60% due to calamities in the past years. These crops have reached a stage where only a major calamity would entitle claim due to very low level of guaranteed yields at 60% indemnity level. The group therefore, recommends for providing a minimum Indemnity limit of 80%.

10.7.6 Yield data/ yield rates play important role in the implementation of crop insurance scheme guaranteeing yield per unit. Availability of adequate yield data with reasonable level of accuracy is a pre-condition for effective implementation of crop insurance. At present yield rates are worked out based on requisite number of Crop Cutting Experiments (CCEs). But, in view of limited resources and huge requirement for undertaking CCEs, its becoming increasingly difficult to depend on the system of CCEs for assessing the yield rates. Agricultural Scientists/ Statisticians opine that the amount of non-sampling errors in the estimates of crop production based on CCEs are increasing in view of large number of CCEs undertaken. They, therefore suggest alternative methods for assessing the yield rates. Small Area Crop

Estimation Method (SACEM) as devised by Indian Agricultural Statistical Research Institute (IASRI) need to be experimented to assess its suitability. Besides this, Satellite Remote Sensing Technology (RMS) is also used these days for assessing cropped area, productivity level and crop health. Geographic Information System (GIS) built up through RMS can provide data base which can be used for locating specific information on the agricultural profile of the notified area, crop sown, farmers coverage etc. in each season. Suitability of the data obtained through this technology may be explored in order to retain a supplementary source of information.

10.7.7 Actuarial rates should form basis of premium calculation. Farmers would, however continue to pay the premium at existing rates and the difference between actuarial rates and flat rates to be subsidised by the Central and State Governments, while the responsibility for claims should be with Implementing Agency. The arrangement is thought essential to make the scheme viable and to infuse a degree of caution and accountability on Implementing Agency.

10.7.8 The group felt that in order to help the farmers who are suffering losses due to natural calamities it is necessary to continue the Crop Insurance Scheme even though the costs of such a Scheme is very high. The Government should continue to play central role in supporting crop insurance programme.

10.7.9 Farmers who spend most of their time in open fields, are also prone to personal accidents and injuries. The scheme, therefore should strive to provide package insurance, including cover against personal accident.

10.7.10 At times crops are totally damaged at an early stage due to occurrence of drought or floods and claims are paid on total loss basis. The group recommends for application of “Graded scale of payment” of claims wherever crops fail at early stages.

10.7.11 Corpus Fund created at the National level with contributes from Central and State Governments for meeting catastrophic losses should be maintained State-wise, in order that States, which are making continous losses may have to contribute more to this Fund.

10.7.12 An extension work for providing benefit of the crop insurance to maximum number of farmers is required to be made in a systemic way. It has been observed that the participation of non-loanee farmers under NAIS is not very encouraging despite coverage of annual commercial/ horticultural crops and extended limits of risk coverage. It is recommended that existing infrastructure of the State Government available for extension work should be utilized for the purpose.

10.7.13 The decision regarding separate agency be taken quickly and such an agency should have appropriate authority and autonomy to deal with the Government of India, State Governments and Reinsurers.

10.7.14 Perennial horticultural crops such as apple, coconut, orange, mango etc. are presently not covered under NAIS because of their multiple-picking yield and non-availability of adequate past yield data. States like Himachal Pradesh, Andhra Pradesh, Maharashtra, Tamilnadu etc. have been insisting for their inclusion. It is recommended that coverage to selected perennial crops in selected districts on experimental basis may be made at the first stage. Inclusion of other perennial horticultural crops can be considered on the basis of experience gained.

10.7.15 The group felt that sum insured at 150% of average yield is not required due to open-ended financial liabilities. Moreover, 150% of value also includes profit element, which is not desirable. In order to limit the liabilities and to arrest any trend in misuse of scheme, it is recommended to limit the sum insured to a maximum of “value of 100% of average yield per hectare” and “Rs. 50,000 per farmer”.

10.7.16 Farmers despite normal production, often fail to maintain their income due to fluctuations in market prices. Farmers’ income, therefore is a function of marketable surplus and market prices of the produce. Prices, besides being an inter-play of supply and demand, are also influenced by quality of produce. The group recommends for considering revenue coverage i.e., price fluctuations of produce combined with yield guarantee under NAIS.

10.7.17 Reinsurance : The improvement in the scope and content of Scheme has also widened the scope for significantly higher financial iabilities, which are ofen open-ended. An appropriate Reinsurance technique can reduce the financial liabilities of the Government and Implementing Agency. It is therefore, felt that an appropriate reinsurance may be negotiated in the international Reinsurance market.

Chapter-XI

Schemes and Programmes

11.1.1 There has been a continued emphasis on progressive institutionalisation for providing timely and adequate credit support to farmers with particular focus on small/marginal farmers and weaker sections of society to enable them to adopt modern technology and improved agricultural practices for increasing agricultural production and productivity. As the policy for augmenting credit flow at the ground level would be continued during the X Five year plan also, therefore, rural credit delivery system need to be re-inforced. To strengthen the Cooperative Credit Structure in the country, some Central Sector/Centrally Sponsored schemes are implemented by the Government of India and NABARD. Further, to give adequate importance about the requirement of State concerned, some schemes have been subsumed under the Macro Management Mode. The Central assistance under this system is provided subject to the provisions made in their work plan proposal.

11.1.2. Similarly, to provide impetus to the working of various types of cooperative institutions (other than credit cooperatives) and to bring about professionalisation in their functioning, number of schemes are operated by GOI/NCDC/NCUI/NCCT.

11.2. Schemes implemented by GOI

11.2.1. Credit Division of the Department of Agriculture and Cooperation operates at present seven Central Sector/Centrally sponsored scheme. Out of these seven schemes, three have been transferred to Macro-Management mode. In the implementation of these schemes the States play a major rule.

The State concerned have to prepare Work Plan for availing assistance under the scheme.The Marco-Management mode of implementation, provides flexibility to the States to prepare and carry on the action plan. The following schemes implemented by the Credit Division:-

(i) Investment in Debentures of State Land Development Banks.

(ii) Assistance to Cooperative Credit Institutions in the Cooperatively under *

(iii) Developed States (Non-Overdue-Cover)*.

(iv) Agricultural Credit Stabilisation Fund*.

(v) Special Scheme for SCs/STs.

(vi) Financial Support for International Cooperation in Agricultural Banking.

(vii) Staff Scheme.

(viii) Crop Insurance (National Agricultural Insurance Scheme).

All these schemes are to be implemented in X Plan also.

* transferred to Macro Management Mode

11.2.2. There are about 12 planned schemes being implemented by the Cooperation Division of the Department of Agriculture and Cooperation. The major schemes are assistance to Cooperation Education and Training, National Federations investment in debentures of the State Cooperative Land Development Banks, the Integrated Cooperative Development Projects assistance to the cooperatives for storage processing and marketing in the cooperatively under developed states, share capital assistance to cooperative sugar factories, share capital assistance to grower's spinning mills. The convergence of these schemes has also taken place on the initiative of the Planning Commission. The Schemes of development of weaker section cooperative as the women cooperative have been transferred to the Macro Management Mode. All these above schemes should continue during the X Plan also.

11.3 New Schemes in Xth Plan

11.3.1 After the recommendations of the Task Force constituted by the Ministry of Finance for credit cooperatives are finalised, the scheme for re-vamping of the Cooperative Credit Structure on the lines of re-capitalisation made to the Commercial Banks and RRBs would need to be implemented forthwith. The recapitalisation of the cooperative banks would require financial assistance of approximately Rs. 5000 crore.

11.3.2. Strengthening of the infrastructure of the PACS/PCARDBs would be of critical importance during the X Plan. About 50% of these primary credits societies do not have any buildings of their own and also the godowns. In the event of declaring them as banks and also for the diversification of their business, the basic infrastructure would need to be provided. In addition the accounting system of the PACS would also need to be stream lined by providing the accountancy facilities and training to them. Schemes would need to be formulated and implemented during the X Plan to cater the above requirements. These schemes would require financial assistance of about Rs. 150 crore.

The programmes and the outlays of the department of Agriculture and Cooperation are given in **Annexure – XIV.** The total outlay for X Plan for the continuing as well as new schemes has been estimated at around Rs. 8404 crore

11.4 Schemes and Programmes of NABARD

11.4.1. NABARD mainly provides re-finance facility to Cooperatives/RRBs/ Commercial Banks for different types of schemes/projects. Year-wise refinance support provided during IX Plan is given below:-

Year	Re-finance (Rs. in Crore)
1997-98	10209.19
1998-99	11253.85
1999-2000	12014.88
2000-2001	13221.00

11.4.2. Major schemes presently under implementation and are proposed to be continued during Xth Plan period by NABARD are given as under :-

(i) Refinance and Investment Credit

NABARD provides refinance to cooperatives/RRBs/CBs to enable them to provide investment credit to the farmers for various purposes.

(ii) Refinance to Hi-tech Agriculture Projects

NABARD provides re-finance facility in hi-tech agriculture projects up to 90% of the bank loan.

(iii) Short-term Refinance for Production Credit

ST refinances are provided to State Cooperative Banks, RRBs for seasonal agricultural operations, handlooms, handicrafts, procurement and marketing activities of weavers cooperative societies.

(iv) Conversion of ST Crop Loan into MT Loan

NABARD offers the facility of converting short-term refinance availed by cooperative banks and RRBs in to medium term loans repayable over a period of 3 years or more.

(v) Re-finance to Rural Non-Farm Sector (RNFS)

Package of RNFS refinance schemes are available to finance, promote and develop RNFS. The assistance is available to individual as well as to other related organizations engaged in the promotion of RNFS.

(vi) Micro-Finance – Linkage of SHG with Banks

NABARD started a pilot scheme for Linkage of Self Help Groups (SHGs) with banks to promote Micro-finance in the country.

(vii) Rural Infra-structure Development Fund (RIDF)

Under RIDF assistance is provided to State Governments, State owned corporations etc. for completion of incomplete/new infra-structural projects.

(viii) Capital Subsidy Scheme

Under the capital subsidy scheme for storage the aim is to create upto 2002, an additional storage capacity of 12 lakh tonnes and rehabilitation/modernisation/expansion of capacity for 8 lakh tonnes. As on 31st March 2001, a total of 243 schemes with total capacity of 12.75 lakh tonnes has been sanctioned with outlay of Rs.338 crore.

(ix) Watershed Development Programme

NABARD is implementing a participatory watershed development programme in the State of Maharashtra.

(x) Creation of Watershed Development Fund

In order to encourage watershed development through the participation of local people, a Watershed Development Fund (WDF) has been set up with a contribution of Rs.100 crore and matching contribution of Rs.100 crore is also being made by Government of India.

11.5 Schemes and Programmes of NCDC

11.5.1. The need for an efficient and purposeful development of cooperative sector cannot be over stated considering the contribution of cooperatives to the agro-rural economy of the country. NCDC endeavors to develop and promote wide range of business activities of cooperative marketing, storage, dairy, poultry, fishery, coir, handloom and sericulture etc. involving grass-root level cooperatives in integrated area development, helping cooperatives in the least and under developed states and those of weaker sections through special programmers and schemes.

11.5.2. Various Centrally Sponsored/Central Sector schemes to accelerate the pace of development of cooperatives were implemented by the NCDC during the 9^{th} Plan period with a Out-lay of Rs.659.94 crore. These schemes are :-

Central Sector Schemes

a) Assistance to NAFED.
b) EEC assisted Rural Growth Centers Projects in Bihar.
c) EEC assisted coconut development Project in Kerala.
d) Integrated Cooperative Development Projects (ICDP).

II. Centrally Sponsored Schemes

a) Cooperative marketing, processing, storage etc., programmes in under/least developed States/UTs.
b) Share capital participation in cooperative spinning mills (Growers).
c) Share capital participation in cooperative sugar factories.
d) Share capital participation in cooperative Weavers' Spinning Mills.

Besides this NCDC's own sponsored schemes relating to cooperative marketing, processing, storage, cold storage, weaker sectors etc. are implemented.

Various new schemes have been suggested by the Task-Force important of them are:-

a) Rehabilitation fund for processing Cooperatives
b) Setting up the Ginning and Processing Units
c) Central Sector Scheme for Fisheries Development
d) Establishment of bio-fertilizer units
e) Cotton Development Programme

A summary of the schemes of NCDC with financial outlays given in **Annexure – XII.** NCDC has a programme of Rs. 2433 crore.

11.6 Schemes and Programmes of NCUI/NCCT

11.6.1 The Task Force on Training and Human Resources Development has emphasized the need for professionalization in cooperatives and has recommended for continuance of Cooperative Education and Training schemes during X Plan. During the IX Plan, the scheme of National Council for Cooperative Training is implemented with a outlay of Rs. 73.91 Crore. Besides number of Cooperative Education Field projects launched by the NCUI. It has been recommended to introduce distant cooperative learning programme and to promote computerization and Information Technology in Cooperatives.

Following major scheme are implemented by NCUI/NCCT :

(i) National Council for Cooperative Training and its training units.
(ii) Cooperative Education Field Projects implemented through NCUI.
(iii) Monitoring of cooperative education by the NCUI (20% of total expenditure).

11.7. Proposed new Schemes/Programmes

(i) Distance Learning Programmes for Cooperative Personnel (Financial support of Government of India).
(ii) To revive inter-state study-visit scheme of NCUI.

(iii) Special Scheme to assist Junior Training Centres.

A summary of the schemes of NCUI/NCCT alongwith the financial outlays during the X Plan is given in **Annexure – XIII.** NCUI/NCCT has prepared a programme of Rs. 193 crore

Appendix I

Working Group on Agricultural Credit, Cooperation and Crop Insurance

CONSTITUTION

1. Dr. S.S. Sisodia — Chairman
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   Rural Development (NABARD)
   Sterling Centre
   Dr. Annie Besant Road
   Post Box No. 6552
   Worli, Bombay – 400 018.

3. Sh. R. Viswanathan — Member
   Director
   Agriculture Division
   Planning Commission
   Yojana Bhawan
   Sansad Marg, New Delhi – 110 001.

4. Sh. Shekhar Agarwal — Member
   Joint Secretary (Banking Division)
   Ministry of Finance, Jeevan Deep Building
   Parliament Street, New Delhi – 110 001.

5. Sh. P.K. Mishra — Member
   Managing Director
   National Cooperative Development Corporation (NCDC)
   4, Siri Institutional Area
   Hauz Khas, New Delhi 110 016.

6. Sh. Priyadarshi Thakur — Member
   Managing Director
   National Agricultural,Cooperative
   Marketing Federation of India
   (NAFED), Ashram Chowck
   New Delhi

7. Sh. J.P.S. Yadav — Member
   Managing Director
   Haryana State Cooperative Agricultural
   Development Bank
   SCO- 1016 & 1034
   Sec – 22, Chandigarh

8. Sh. T. Srinivasan — Member
   Chairman-cum-Managing Director
   Rajasthan Financial Corporation
   Government of Rajasthan
   Udyog Bhawan, Tilak Marg
   Jaipur, Rajasthan

9. Sh. S.K. Goel — Member
   Commissioner for Cooperation &
   Registrar Cooperative Societies
   Government of Maharashtra
   Central Building Annexe
   Pune – 411 001

10. Sh. Jagdish Capoor — Member
    Deputy Governor
    Reserve Bank of India, Central Office
    Shahid Bhagat Singh Road
    Mumbai – 400 001.

11. Sh. Vepa Kamesan — Member
    Managing Director
    State Bank of India, National Banking Group
    New Administrative Building
    Madam Cama Road
    Bombay – 400 021

12. Sh. D. Sengupta — Member
    Chairman
    General Insurance Corporation
    170, Jamshedji Tara Road
    Mumbai – 400 020

13. Sh. T.T. Adhikari — Member
    Managing Director
    National Cooperative Consumers'
    Federation of India Ltd.
    Deepali Building, 5^{th} Floor
    92, Nehru Place, New Delhi – 110 019.

14. Sh. T.D. Janardhan Rao — Member
Chairman
National Coop. Agri. & Rural Dev. Banks
Federation, Takshila (2nd & 3rd Floor)
Madhavdas Pasta Road
Near Chitra Cinema, Dadar, East
Bombay – 400 014.

15. Sh. Lalit Srivastava — Member
Secretary (Cooperation)
Government of Uttar Pradesh
Sachivalaya Bhawan
Lucknow (U.P.)

16. Sh. S. Balerao — Member
Secretary
Deptt. of Agriculture & Cooperation
Govt. of Andhra Pradesh
Hyderabad

17. Sh. B.K. Biswas — Member
Secretary
Department of Cooperation
Government of West Bengal
Secretariat, Writers Building
Calcutta – 700 001

18. Sh. M.S. Rao — Member
Secretary
Deptt. of Agriculture & Cooperation
Government of Meghalaya
Secretariat
Shillong – 793 001

19. Shri G.K. Patil,
Ex – Managing Director,
Maharashtra State Cooperative Bank,
Ajinkya Bist Baugh Road,
Ahmednagar(Maharashtra)

20. Sh. K.S. Bhoria — Member Secretary
Joint Secretary (Credit & Cooperation)
Deptt. of Agriculture & Cooperation
Ministry of Agriculture, Krishi Bhawan
New Delhi – 110 001.

COOPTED MEMBERS

21. Shri S. Patnaik,
Chairman,
National Fedn. of State Cooperative Banks,
Bombay.

22. Shri D. Krishna,
Managing Director,
National Fedn.of Urban Cooperative Banks &
Credit Societies,
New Delhi.

23. Smt. Pratibha Patil,
Chairperson,
Sugar Cooperative Mills,
Jalgaon(Maharashtra).

24. Shril A.V. Singh,
Agriculture Production Commissioner,
Govt.of Madhaya Pradesh
Bhopal(M.P).

25. Shri J.P. Gupta,
Managing Director,
Madhya Pradesh State Cooperative Bank,
Bhopal.

Terms of Reference
I. Agricultural Credit

1. To review the flow of credit to agricultural sector during the 10^{th} Plan, identity of the factors affecting the growth of agricultural credit and suggest strategies for accelerating the flow of credit to meet the investment requirements of the farming community.
2. To review the credit needs of the weaker sections of the farming community, particularly small and marginal farmers, scheduled tribe and scheduled caste farmers, identify the problems and constraints in the flow of credit to these categories of farmers and suggest measures for easy availability of credit to them for agricultural production and other agricultural activities.
3. To assess the short term and long term credit requirement for agricultural production and work out target for 10^{th} Plan.
4. To review the magnitude of agricultural indebtedness and also status of overdues financial health of PACs (Primary Agricultural Credit Societies) and Land

Development Banks, identify the factors affecting financial health and efficiency of Cooperative Credit societies and suggest measures and institutional framework for making the Cooperative Credit Societies more efficient. Competitive and cost effective in the wake of liberalisation of banking sector.

5. To study the short term impacts of economic reforms on cooperative credit structure.
6. To make a study of revamping/strengthening of Cooperative Credit Structures so as to meet the investment requirements for accelerating the growth of agriculture sector.
7. To review the present status of agricultural credit in the North-Eastern States, identify the constraints/bottlenecks in the flow of agricultural credit to the farmers of this region and suggest concrete measures for encouraging greater flow of bank credit for agricultural production and other agricultural activities in the Region.
8. To critically review the performance of the on-going schemes of the department of A&C, RBI, NABARD and Department of Banking (M/o Finance) and suggest any modifications/ discontinuation or any new schemes to be taken up to meet the desired goal.

II. Cooperation

9. To review the status of Cooperative Movement and its role in the economic development of the country in general and in the agricultural economy of the country, in particular identify weakness of Cooperative Movement and Cooperative Movement to meet the desired goal.
10. To make a special study of the role of cooperatives and challenges to be met in the wake of globalisation of Indian Economy and also the issues relating to competitive efficiency of the cooperatives, constraints and remedial measures for improving the commercial and economic viability of the cooperatives with regard to modernisation,diversification, technology upgradation, quality improvement, marketability and export promotion etc.
11. Formulate suitable programmes and schemes for the 10^{th} plan indicating policies, objectives, strategy targets, programmes for development of cooperatives with due regard to the self-reliance, export promotion, removal of regional imbalances, reduction in the rural poverty, generation of more employment opportunities and improvement in socio-economic conditions of the weaker section of the rural community.

12. To study the regional disparity in the development of cooperatives, identify the factors inhibiting the development of cooperatives in the states and suggest suitable programmes for encouraging cooperatives in the cooperatively underdeveloped states.
13. To suggest measures for Human Resource Development in the Cooperatives.
14. To review the role and functioning of consumer cooperatives and suggest suitable measures for their improvement.

III. Insurance

15. To review the present status of the National Agricultural Insurance Scheme (modified Comprehensive Crop Insurance Scheme) and suggest measure for making the scheme more cost effective and beneficial to the farming community.

TF 1

Task Forces on Agricultural Credit and (all Co-operative credit)

CONSTITUTION

1.	Sh. Y.C. Nanda, Chairman, NABARD, Mumbai	Chairman
2.	Sh. S. Patnaik, Chairman, National Federation of State Cooperative Banks	Member
3.	Joint Secretary (Credit) DAC, GOI	Member
4.	Joint Secretary, MOF (Banking), GOI	Member
5.	Joint Secretary, Ministry of Rural Areas and Employment, GOI	Member
6.	Joint Advisor (Ag.), Planning Commission	Member
7.	Secretary (Coop.), Government of Meghalaya, Shillong	Member
8.	Secretary (Coopn.) Government of Haryana, Chandigarh	Member
9.	Secretary (Coop.), Government of West Bengal, Calcutta	Member
10.	MD, SBI, Mumbai	Member
11.	Sh. A.V. Sardesai, CGM, RBI, Mumbai	Member
12.	Commissioner for Cooperation and Registrar Cooperative Societies, Government of Maharashtra, Pune	Member
13.	Sh. B. Subhrahmanyam, CEO, National Federation of State Cooperative Agriculture and Development Banks Federation, Mumbai	Member
14.	ED, National Cooperative Agriculture and Development Banks Federation, Mumbai	Member
15.	Chairman, National Cooperative Agriculture and Rural Development Bank's Federation, Mumbai	Member
16.	MD, National Federation of Urban Cooperative Banks New Delhi	Member

17. MD, Karnataka SCARDBS, Bangalore — Member
18. Director, NCAP, IASRI, New Delhi — Member
19. Sh. G.K. Agarwal, CGM, NABARD, Mumbai — Member
20. Sh. T. Srinivasan, Chairman-cum-MD, Rajasthan Financial Cooperative, Jaipur (Raj) — Member
21. Director, NIBM, Pune — Member
22. Sh. N. Srinivasan, General Manager, NABARD Mumbai — Member Secretary

Term of Reference

1. To review the progress made in the flow of credit from Cooperatives,Commercial Banks and Regional Rural Banks for agricultural and allied activities during the Tenth Five Year Plan period including the present arrangements for planning and monitoring.
2. Identifying the constraints and problems in the flow of credit to sectors and regions and to suggest remedial measures and create a conducive environment for facilitating enhanced and timely flow to credit with due regards to agro-climatic zonal planning recommendations for development.
3. To assess the requirements and appropriate package of credit for post harvest and agro processing activities so as to reduce huge post harvest losses.
4. To assess the credit needs for hi-tech and commercial agriculture including export oriented ventures and evolve suitable packages to support these activities.
5. To review the present arrangement for credit support in thrust and priority areas like dry land farming/ water-shed development. Waste Land Development Afforestation Programme and production of pulses and oilseeds.
6. To study the problems of common pool resources and suggest measures with packages for its development involving government support, management system, legislative measures,technology and finance.
7. To consider further measures for increasing flow of credit to weaker sections including SF/MF, SC/ST, Women.
8. To evolve an appropriate mechanism to cover the risk in financing disadvantaged sections (e.g. SC/ST) and risk prone agricultural activities (e.g. drought prone/desert areas) through creation of National Level Fund and Institutional arrangement other than insurance cover.

9. To review the present arrangement of infrastructure facilities for forward and backward linkages for supporting flow of credit and the packages needed during the Tenth Five Year Plan for smoother flow of credit and realisation on the fuller benefits.
10. To strengthen the present arrangement of credit dispensation and establish linkages between formal and informal structures particularly in areas where access to credit is lacking.
11. To review the existing arrangement and suggest measures for correcting regional disparities in the flow of credit with particular reference to hilly areas, eastern and north eastern regions.
12. To formulate suitable proposals for agricultural credit during Tenth Five Year Plan covering objectives, policies, strategies and physical and financial targets.
13. To evolve a national level strategy for policy, planning and devising operational system of natural resource management towards attaining sustainable agricultural development and linking them with credit programmes.
14. To review the recovery performances of Cooperatives/Banks and suggest measures for strengthening the administrative machinery including legislative measures foe ensuring proper utilisation of loans and recovery.
15. To work out a mechanism, so as to bring about some amount of flexibility in the norms for advancing loans at the local level.
16. To evolve a procedure for taking care of forward and backward activities at the time of sanctioning of schematic loan in agricultural sector.
17. Keeping in view the changing economic scenario, to work out Management Information System so as to support manage the agricultural credit.

Subject matter specialists/ experts may be co-opted for further consultation on specific issues/ subjects as may be desired by the Task Force.

The Task Force will submit its final report by 10th March, 2001.

The expenditure of the members on TA/ DA in connection with the meetings of the Task Force will be borne by the parent Department/Ministry /Organisation. The expenditure, if any, in respect of non-official members will be borne by the Department of Agriculture and Cooperation as per rules and regulations of TA/DA applicable to Grade I officers of Government of India.

Task Force On Institutional Development of Credit Cooperatives, RRBs and Commercial Banks

CONSTITUTION

1.	Sh. K.S. Bhoria Joint Secretary (C&C) Deptt. of Agr. & Coopn., New Delhi	- Chairman
2.	Representative of Planning Commission (Sh. R. Viswanathan)	- Member
3.	Sh. Lalit Srivastava Secretary (Coop.), UP. Lucknow	- Member
4.	Sh. Bale Rao, Secretary (Coop.) Govt. of Andhra Pradesh, Hyderabad	- Member
5.	Secretary (Coopn.) Govt. of Tamilnadu	- Member
6.	Secretary (Coop.) Govt. of Gujarat	- Member
7.	Sh. C.K. Sharma Secretary (Coop), Govt. of Assam	- Member
8.	Sh. B. Subrahmanyam Chief Executive Officer, NAFSCOB, Mumbai	- Member
9.	Sh. A.V. Sardesai Chief General Manager, RBI, Mumbai	- Member
10.	Sh. T.D. Janardhan Rao, Chairman National Agr. & Rural Dev. Banks Fed., Mumbai	- Member
11.	Managing Director National Federation of Urban Cooperative Banks New Delhi	- Member
12.	Dr. K.P. Aggarwal, Executive Director NABARD, Mumbai	- Member
13.	Managing Director Haryana State Cooperative Bank, Chandigarh.	- Member
14.	Smt. Pratibha Patil, Chairperson Sugar Cooperative Mill, Jalgaon, Maharashtra	- Member
15.	Sh. S.K. Anand Deputy Commissioner (Credit) Ministry of Agriculture, DAC, New Delhi.	- Member

Terms and Reference

1. To review the status of organisational operational arrangements and strengthening of rural credit institutions, including RRBs and CBs.
2. To study the regional disparity in the development of credit cooperatives, identify the factors inhibiting the development of cooperatives in the States and suggest suitable programmes for encouraging cooperatives in the cooperatively underdeveloped States.
3. How to make the PACS, as viable institution to fulfill the credit requirement.
4. To assess potential of resources and suggest measures for deposit mobilisation in cooperatives and RRBs.
5. Recapitalisation of Cooperatives/RRB structures for strengthening their financial health.
6. Measures for revamping/ strengthening of cooperative credit structure at various levels with system development, democratic functioning and professionalisation for accelerating growth of agricultural sector and formulate suitable programmes and schemes for the Tenth Plan indicating policies, objectives, strategies, targets, programmes for development of cooperatives. To examine recommendations of Capoor Committee.
7. Measures to institutionalise the agricultural credit.
8. Simplification of the loaning procedure.
9. Define the role of State Government under the new initiatives for strengthening of cooperatives.
10. To evolve a system of creating awareness about the existing and redefined role of cooperatives as cost effective, efficient and competitive Institutions in the changes environment for the benefit of the cooperative movement.

TF 3

Task Force On Revitalisation of Non-Credit Cooperatives (Including Marketing, Storage, Processing, Weavers And Consumer Cooperatives

CONSTITUTION

1.	Sh. P.K. Mishra Managing Director, NCDC, New Delhi	- Chairman
2.	Secretary (Cooperation) Govt. of Madhya Pradesh	- Member
3.	Sh. G.K. Aggarwal Chief General Manager, NABARD, Mumbai	- Member
4.	Secretary (Coop) Govt. of Kerala	- Member
5.	Sh. P. Thakur MD, NAFED, New Delhi	- Member
6.	Sh. Amitabh Verma Secretary (Coopn.), Govt. of Bihar	- Member
7.	Sh. T.T. Adhikari Managing Director, NCCF, New Delhi	- Member
8.	Sh. Ravi Shankar Managing Director, National Coop.Dairy Fed., Anand	- Member
9.	Managing Director Punjab Markfed, Chandigarh	- Member
10.	Managing Director National Federation of Cooperative Sugar Factories, New Delhi	- Member
11.	Managing Director All India Federation of Cooperative Spinning Mills Ltd., Mumbai	- Member
12.	Sh. P.K. Sharawat Managing Director, National Labour Coop. Fedn. Of India, New Delhi	- Member
13.	Representative of Tribal Cooperative Marketing Development Federation of India Ltd. (TRIFED), New Delhi	- Member

14. Sh. J.P. Meena - Member
Chief Director (Coopn.), Deptt. of Agri. & Coopn.
Krishi Bhawan, New Delhi.

Terms of Reference

1. Present status and review the structural arrangements for marketing, processing, storage of agricultural produce and distribution of agricultural inputs in the cooperative sector in the IX Plan period and suggest appropriate arrangements for the X Plan.
2. To study need and evolve special Programmes for building effective non credit cooperatives in the cooperatively under-developed states.
3. To review the role and functioning of consumer cooperatives and suggest suitable measures for their improvement.
4. To consider the role of cooperatives in the marketing of coarse grains and pulses and other produces/products.
5. To review the present central/ centrally sponsored schemes for strengthening the area between cooperative marketing structure and public sector commodity corporations for business development of cooperatives and evolve strategies for strengthening :-
   a) These programmes and to suggest modifications/changes, if any
   b) To suggest arrangements for the block and working capital requirements for these programmes.
6. To suggest measures for enlarging the scope of export as also of imp. Of agricultural commodities through cooperatives.
7. To study arrangement for input, power and other produce distribution through rural electricity society/cooperatives and suggest specific policy measures for viable business and appropriate linkages with create cooperatives.
8. To create facilities for marketing, storage, processing and transportation facilities through cooperative ventures to meet the emerging challenges.
9. Rehabilitation of the non-credit and multi purpose cooperatives.
10. To review the functioning of Weavers' Credit Cooperative Societies are evolve appropriate strategies for strengthening them with a view tapping potentials these societies have for rural employment and income generation in handloom sector.

11. To formulate suitable proposals for the X Five Year Plan including objectives, policies, strategies, physical targets and financial outlays for the development of non-credit cooperatives.

TF 4

Task Force on "Crop Insurance

CONSTITUTION

The Working Group on Agricultural Credit and Cooperation (including Crop insurance) constituted by the Planning Commission has decided in its first meeting held on 10.1.2001 to constitute a Task Force on the above subject for preparation of the X Five Year Plan.

The Composition of the Task Force is as under :-

1.	Sh. D. Sengupta, Chairman General Insurance Corporation of India Mumbai	-Chairman
2.	Sh. S.K. Goel Commission for Agriculture Govt. of Maharashtra, Pune	- Member
3.	Sh. S. Patnaik Chairman National Federation of State Cooperative Banks Mumbai	- Member
4.	Sh. Vepa Kameran Managing Director State Bank of India Madam Cama Road Mumbai – 400 021	- Member
5.	Sh. M.S. Rao Secretary Department of Agriculture & Cooperation Govt. of Meghalaya Secretariat, Shillong	- Member
6.	Dr. P. Charan General Manager General Insurance Corporation of India New Delhi	- Member
7.	Sh. S.D. Chopra Deputy Commissioner (Insurance) Deptt. of Agri. & Cooperation Krishi Bhawan, New Delhi.	-Member Secretary

Terms of Reference

1. Types of risk in agriculture. traditional way of managing risks. Crop Insurance as a measure of Risk Management in agriculture.
2. Types of Crop Insurance, individual versus area based crop insurance; single risk versus multi risks insurance scheme. Suitability of area based crop insurance in Indian situation.
3. A review of the present status of National Agricultural Insurance Scheme (NAIS)
4. Designing of a Crop Insurance Scheme which is cost effective and at the same time beneficial to the farming community.
5. Premier structure – flat rates or actuarial. Allowing premia subsidy or cap. basis for limiting/fixing sum insured. Nature of coverage and indemnity – levels of indemnity.
6. Coverage of crops/farmers and risks. Providing coverage to localised risk.
7. Financial support to the crop insurance – exploring possibilities for re-insurance.
8. Administration/ management of the implementation of crop insurance scheme – creation of a separate agency – other infrastructure.
9. Implementation of crop insurance scheme in other countries.

The terms of reference of the Working Group where wide enough to include estimation of demand and supply institutional credit, evolving strategies for the development of agriculture, review the soundness of cooperative credit structure and suggesting various measures to improve their viability including human resource development of cooperatives. They also expected to recommend appropriate strategies for increasing the flow of agricultural credit in backward area including North Eastern regions, review the performance of the existing schemes and formulate suitable programmes and schemes for the Xth Five Year Plan.

Having regard to the magnitude of the task, the Working Group constituted the following five task forces to make detailed and analytical studies of the issues and related problems.

TF 1 : Task Force on “Crop Insurance

TF 2 : Task Force on Training and HRD of Cooperatives and RRBs

TF 3 : Task Force On Revitalisation of Non-Credit Cooperatives
(Including Marketing, Storage, Processing, Weavers And Consumer Cooperatives

TF4 : Task Force On Institutional Development of Credit Cooperatives, RRBs and Commercial Banks

TF5 : Working Group on Agricultural Credit, Cooperation and Crop Insurance

The composition of the Working Group and the file task forces alongwith their terms of reference are given in appendix______.

The Working Group held its 4 meetings on ___________,________,______, __________. In its meeting the group finalised the constitution of task forces and also co-opted members. In the second meeting the reports of all the five task forces were presented and discussed at lengths. The third meeting considered the draft report of the Working Group which was prepared on the basis of the reports of the task forces. The 4th and final meeting considered the revised draft report of the Working Group and approved it for submission to the Planning Commission.

I am grateful to the members of the Working Group and the task forces for their valuable contribution. I wish to particularly place on record my appreciation for the tremendous efforts put in by the Chairman of these task forces namely viz:Sh. B.S. Vishwanathan, Former President, NCUI, Sh. P.K. Mishra, MD, NCDC, Sh. D. Sen Gupta, Chairman, GIC, Sh. K.S. Bhoria, Jt. Secretary, Department of Agril, Govt. of India, Sh. Y.C. Nanda, Managing Director, NABARD.

In finalising the reports within the time frame decided by the Working Group. I am also happy to acknowledge the valuable contribution made by the Member Secretary of the Working Group Sh. K.S. Bhoria, IAS, Jt. Secretary, Deptt. of Agriculture, Govt. of India and his team of officers associated with the Working Group.

TF 5

Task Force on Training and HRD of Cooperatives and RRBs

COSTITUTION

1. Sh. B.S. Vishwanathan, Ex-President National Cooperative Union (NCUI) - Chairman
2. Sh. J.P. Meena Chief Director (Coop.), Deptt. of Agri. & Coopn. - Member
3. Sh. N.K. Jain Chief General Manager, NABARD, Mumbai - Member
4. Principal, College of Agriculture Banking, Pune - Member
5. Director VAMNICOM, Pune - Member
6. Sh. B.D. Sharma Director, ICA, ROAP, New Delhi - Member
7. Sh. J.B. Dutta, MD, State Cooperative Bank, Meghalaya - Member
8. Director, BIRD, Lucknow - Member
9. Sh. J.P. Gupta, MD Madhya Pradesh State Cooperative Bank, Bhopal - Member
10. Principal West Bengal State Training Institute of Cooperative Banking, Calcutta - Member
11. Chief Director, TOPIC, NCDC, New Delhi - Member
12. MD, State Cooperative Bank, Orissa - Member
13. Chief Executive, NCUI, New Delhi -Member Secretary

Terms of Reference

1. to reivew the present status organisational and structural arrangements relating to and suggest approach, policy and programmes of cooperative training and education as an aid to the cooperative development.

2. To review the pattern of financing cooperative training and education schemes and their implementation as also the provision regarding Cooperative Education Fund in the states and formulate guidelines for funding of Cooperative Training and Education Schemes and programmes at various levels.
3. To devise appropriate HRD systems for all types of cooperatives and RRBs and evolve a system of recruitment, promotion, other systems of HRD for higher efficiency and competitiveness.
4. To suggest proposals for the Xth Five Year Plan including the objectives, policies, strategies and physical and financial targets.
5. To suggest appropriate system for :-
   - Introduction of information technology and modern management.
   - Member enlightenment, involvement of youth and women.
   - Coordination and networking of different training institution within the Cooperative Sector.
   - Leadership development of Cooperatives/RRBs.
   - Cooperative extension, communication and education, and training material
   - Management training and work force in professional, technical and other categories.
   - Building up of leadership of non-credit cooperatives and user societies.
   - Examining the need for building up skills to attain viability of cooperative institutions.
6. Review and refinancement of the nation wide training network of training establishments with undivided focus/attention to HRD system development.

7. To evolve strategy for higher organisational efficiency, and managerial capacity building in tune with the changed environment.

Appendix-II

Note On The Agricultural Credit In N.E. Region

1. Background

The North Eastern Region comprising of Assam, Arunachal Pradesh, Manipur, Nagaland, Tripura, Meghalaya and Mizoram including Sikkim has largely remained untouch by the modern waves of development. With the Sikkim as the youngest sister of the region being added to the package of development under the banner of North Eastern Region, the bargaining power of the eight sisters in the region for development will be significant. The successive State Governments and the Governments at the Centre have made umpteen attempts to develop the region with various inputs but the degree and the intensity of these efforts have not made the expected impact on the socio economic lives of the people in the region. The area largely being land locked and with insignificant development of infrastructure facilities, the implementation of various programmes in its letter and spirit still remains a distant dream.

The entire North Eastern Region is known for its forest wealth, potentialities for agriculture, horticulture, floriculture, etc. but the improvements in these sectors have not received adequate attention and importance to convert them into appropriate economic opportunities. Further, mineral wealth, such as, coal, petroleum products, lime stone, manganese, uranium, etc. are still to be exploited to their fullest girth.

The Banking industry and the banking habits as well as the knowledge about the advantages of banking etc. are yet to be fully assimilated into the main stream of development in the region. Due to inadequate development of marketability and lack of appropriate backward linkages, etc. the economy of the region still persists on the theory of production for consumption rather than creation of marketable surplus.

The cooperative credit opened its avenues in the region for agricultural and allied sector with the creation of states during the last 3 to 5 decades, whereas the same is as old as 100 years in other parts of the country. Therefore, the progress of cooperation and cooperative credit sector in particular in the region is 60/70 years behind the cooperative movement in the country. The Cooperative Movement which started with the establishment of ‘Gaonlia Banks’ in 1912 in Assam led to the establishment of ‘Assam Cooperative Apex Bank’ in 1948. The region’s youngest State Cooperative Bank was established in Sikkim in December 1998.

All states in the region have two-tier structure with the State Cooperative Banks at the apex level and the grass root level societies in the form of Primary Agriculture Credit societies, Service Cooperative societies, LAMPs, Farmers Service Societies, etc. at the grass root level . The States of Assam, Tripura and Manipur have separate Long term Cooperative Credit Structure in the form of Agril. and Rural Development banks (ARDBs) whereas in other states the Short Term Cooperative Credit Structure itself is taking care of the long term credit portfolios.

The cooperative credit structure is an important banking agency serving mostly in the rural areas of the region and providing banking facilities in far flung and remote corners of these states, often under difficult and adverse situation. However, the cooperative banking in the region by and large has not been a viable proposition. On the other hand, there is considerable presence of Commercial Banks in the region and the Regional Rural Banks (RRBs) as well. However, they are mostly concentrated in the urban and semi-urban areas with deposit mobilization as their main business portfolios resulting in lowest C.D Ratio.

2. N.E. Region And Banking

The N.E. Region is served by 20 Commercial Banks, 11 RRBs with a combined network of 1972 branches. All the seven states in the region have their own short-term cooperative credit structure in the form of State Coop. Banks and their Branches and the grass root level societies in the form of PACS, SCS, LAMPS, FSS etc. Assam, Tripura and Manipur also have separate long term cooperative credit structure in the form of LDBs or ARDBs. The average population per branch in the region is around 16000 as against the all India average of 11000.

In terms of business, the aggregate deposit strength of the banking structure in the region is Rs.11846 crore as at the end of March, 1999 of which the share of cooperatives was Rs.884 crores.

In terms of advances, the aggregate advances of the banking structure as at the end of March, 1999 was Rs.3589 crores of which the cooperative have a share of Rs.400 crores.

The C.D Ration of the banking agencies as a whole for the region was 30.29%. However, the cooperatives had a laudable higher average of 52.08%.

Due to weak cooperative credit structure in the region, the short-term cooperative credit support from higher financing such as NABARD has declined over the years. During the year 1999-2000 only three State Cooperative Banks i.e. Meghalaya, Nagaland and Tripura were sanctioned credit limits aggregating to Rs.5.05 crores. Similarly the support for the long term credit structure also has been restricted due to the weak L.T. Structure in the region. The entire commercial banking sector including RRBs could avail only Rs.107.36 crores refinance from NABARD for the said period.

Due to the inherent reason such as the topography of the region, social and traditional practices, land tenure system, subsistence level of agricultural operations, low level of recovery, under developed banking culture and habits, vagaries of nature etc, the credit absorption capacity at the grass root level is probably one of the lowest in the region.

3. Credit Flow in the NE Region

In state-wise and agency-wise credit flow during the years 1995-96, 1996-97 and 1997-98, is given in the Appendix. The comparative position reveals the total unsatisfactory position of credit availability in the NE Region.

4. Reasons For Poor Credit Outflow

Inspite of a good banking network, the progress indicators of the credit agencies is not very encouraging. The reasons for the same broadly, are as follows:-

(a) The recovery percentage in the region averages between 25% to 30%, consequently hampering the flow of ground level credit seriously.

(b) The C.D. Ratio in the region averages at 30% and for commercial banks in the states such as Meghalaya and Nagaland it is as low as 20% (i.e. 16% in Meghalaya and 19% in Nagaland). The all India average is 55-60%.

(c) The grass root level operations in the cooperative credit structure is in a moribund state. With the primary societies having very high level of overdues and also at different stages of defunctness, the true nature of cooperativism is slowly vanishing.

(d) With inadequate awareness about the banking scenario, particularly the cooperative credit structure, lack of cooperative leaders and leadership, inadequate assistance and support for the cause of cooperative and cooperatives at the state level, underdeveloped alternative/subsidiary mechanism for flow of institutional credit at the grass root level, the sufficiency and the efficiency of the grass root level credit highly negligible.

(e) The Commercial Banks and the RRBs being largely urban and semi-urban oriented, more or less function as deposit mobilization centers in the region which suggests capital flight of serious nature from the region. In the long run it will have a telling effect on the development scenario of the North Eastern Region.

(f) The application of Prudential Norms without adequate external support for institutional building and strengthening, particularly in the form of financial assistance to cleanse the balance sheet of the cooperative banks, as is in the case of Commercial Banks, the entire cooperative credit structure in the region is undergoing a serious financial crisis. Most of them have attracted the provisions under Section 11(1) of the B.R. Act which has effected their credibility and the public image.

(g) Absolutely inadequate or almost nil facilities in the form of region specific forward and backward linkages in the agriculture and allied sector have seriously hampered the uptake of institutional credit in a significant way. In fact this is a serious hindrance for expansion of agriculture and allied activities as well as smooth flow of credit to the sector in the region.

(h) Restrictive provisions such as Minimum Involvement Norms, NABARD’s insistence upon Govt. Guarantee, enhancement of rate of interest for NABARD refinance, regulated interest rate mechanism in the form of PLR at 12%, in spite of liberalized interest rate structure etc are the serious impediments for the cooperative banking structure specially in the North Eastern Region to widen and strengthen its financial base as well as flow of credit.

(i) At present the RIDF assistance from NABARD is routed through the State Governments. The cooperative banking structure needed to be effectively involved in implementation of RIDF projects, specially those which directly helps the credit expansion from the banking sector in order to ensure speedy implementation as well as prevention of duplication and multiplication.

(j) Lack of adequate coordination between the State Government Agencies and the banking channels has been leading the efforts of both the agencies to nowhere particularly in the arrangements for monitoring an information system. Adequate revitalization and strengthening of the same will ensure prevention of duplicity wastage of resources, etc.

5. Suggestions And Conclusions

Against the above background and the existing ground realities of the North Eastern Region, which is well debated in each and every forum by each and every agency involved, the role and responsibilities of the banking agencies particularly that of the cooperative credit sector is well defined. With adequate policy initiatives and definite support from the concerned agencies starting from the Government of India down to the level of implementing agencies at various levels, there is no reason as to why the situation cannot be turned around for progressive planning, effective implementation and monitoring particularly during the Xth Plan Period.

In this direction, the following suggestions are made.

(a) There is no doubt that the production credit in the region needs to be extended on a higher scale. It is estimated that the requirement of Assam alone is Rs. 55-60 crores, against which the credit flow in the state is only 2%. With this alone it can be estimated about the actual potentialities of the region and the need for extended and enlarged flow of institutional finance for the production credit. In this direction Government of India needs to extend unrestricted and optimum line of credit to the refinancing agencies for further advancement to the North Eastern Region. Agencies such as NABARD need to frame a separate policy initiate for the North Eastern Region which is highly conducive for strengthening as well as reviving the credit flow as well as the credit division in the region.

Further NABARD on its part need not insist upon minimum involvement criteria, Government guarantee, etc. which are often found to be extremely restrictive for the cooperative banking agencies in the region to operate within the existing limitations of customs and traditions, land tenure system, cropping pattern, lack of facilities for procurement, processing, storing, marketing etc.

(b) The region has vast potentially for Minor Irrigation Projects. As per statistics only 15-20% of the sown area is irrigated. Government of India/NABARD need to take a liberal view of the potentiality as well as requirement of the region and consider extending refinance at a concessional rate of interest, say 5% instead of existing 8.5% specially for the N.E. Region.

(c) The marketing surplus of agricultural and horticulture produces is estimated to be around 80-90 M.T. in the region of which the share of Assam alone will be in the vicinity of 25M.T. This vast potentiality for financing agro based procurement, processing, storing as well as marketing, etc, needs to be financially exploited by the banking industry particularly, the cooperative banking sector. Government of India need to take this aspect into consideration while shaping the plans for N.E. Region.

(d) Government of India need to take urgent steps to cleanse the balance sheet of the SCBs and LDBs in the N.E. Region. The estimated requirement of external assistance for the purpose is Rs.350 crores. In the absence of definite budgetary allocation for the purpose during the current year, the cooperative credit sector in the North Eastern Region needs to be allocated the required assistance from the Prime Minister's Special Package of Assistance for the North Eastern Region.

(e) One of the serious problems faced by the banking sector in the region is recovery of dues. Over the years the banks have accumulated heavy overdues and with the application of Prudential Norms banks are called upon to make heavy provisions against the NPA. The overdues are primarily in the areas of advances towards priority sector and poverty alleviation programmes. Though the respective state cooperative societies acts and rules have provisions for recovery of dues, the time has come for the cooperative credit sector to have their own 'Debt Recovery Tribunals' on the lines of such tribunals existing for the commercial banking sector. The provision needs to be made to hand over the chronic cases of default exceeding Rs.25,000/- to the ambit of the such Tribunal. The proposal Tribunal can be region specific to cover the entire North Eastern Region.

(f) The ACRC had recommended creation of 'Agricultural and Rural Development Corporation' (ARDC) in some of the states of the N.E. region, to bring about a meaningful departure from the existing system agricultural lending. This still holds good for the N.E. Region, Government of India needs to take necessary initiatives for establishing state specific ARDCs in each of the North Eastern Region to create and provide necessary impetus to the Agriculture and Allied Sector through the forum of Cooperative Credit Sector.

(g) Due to lack of avenues for employment, the region is faced with acute problem of educated unemployed work force. The Banking Agencies are in a dilemma to finance employment generating activities particularly in the absence of adequate entrepreneurship development training of educated youth. In order to convert this educated unemployed youth to socially useful, & economically productive work force there is need for creating of adequate professional training facilities. In this direction the systematic approach is essential for development of entrepreneurship in collaboration with the financing institutions though NEDFI has taken initiatives in this direction much remains to be done.

(h) The weakest link in the cooperative credit sector of the region remains to be the grass root level societies in the form PACS, GPSS, SCS, LAMPS, FSS etc. As ultimate credit outlets it is essential to strengthen and revitalize these grass root level societies in the North Eastern Region Government of India through the Ministry of Agriculture needs to formulate a suitable scheme for rehabilitation, revitalization and strengthening of the grass root level societies in the region specially by providing share capital assistance, managerial assistance, infrastructural assistance, HRD and training assistance etc. through adequate assistance under the Central Sector Plan Scheme.

Annexure - XII

SUMMARY OF PROGRAMME AND OUTLAYS FOR 10TH PLAN (2002-2007) IN RESPECT OF SCHEMES TO BE IMPLEMENTED BY NCDC

(Rs. in Crores)

	Schemes	**Targets for 10th Plan**	
A.	**Central Sector (Continuing)**	**Physical**	**Financial**
1.	Intergrated Coop. Dev. Projects (ICDP) Interest subsidy for loan component	60	150.00 120.00
2.	Capital Investment Subsidy Scheme establishment /modernisation / Rehabilitation Cold Storages	35 New Rehabilitation /Modzn	20.50
	Total : (A)		290.50
B.	**Centrally Sponsored (Continuing)**		
1.	Cooperative Mktg. Processing, Storage, Programmes in Cooperatively under / least Developed States/Uts	1258	285.59
2.	Share capital participation in Cooperative Sugar Factories	16 New Rehabilitation	500.00
3.	Share capital participation in Cooperative Spinning Mills	23 25CGP	290.00
4.	EFC Aided Coconut Development Project in Kerala		1.91
	Total (B)		**1077.50**

Annexure XII contd.

(Rs. in Crore)

	Schemes	**Targets for 10th Plan**	
C.	**New Schemes**	**Physical**	**Financial**
1.	Rehabilitation Fund for Coop. Processing including Sugar and Spinning Mills through NCDC	56	1000.00
2.	Setting up of New Ginning & Pressing Units by Growers Spinning Mills	25	50.00
3.	Establishment of bio-fertiliser Units	5	5.00
4.	Cotton Development Programme		10.00
	Total (C)		**1065.00**

Total (Schemes of DOAC) **2433.00**

	Schemes	**Targets for 10th Plan**	
C.	**New Schemes**	**Physical**	**Financial**
a.	Central Sector Schemes for Fisheries Development		
	- Beel Fisheries Development		30.00
	- Reservoir Fisheries Development		20.00
	- Motorisation of Traditional Crafts	5000	8.00
	- Intermediate Fisheries Craft	100	10.00
	- Fisheries training & Extension		15.00
	- Communication Fish Finding Positioning Equipment		10.00
	- New Technology (Pear/Edible Oyster Culture)		7.00
	Total (D)		**100.00**

Total (Ministry of Agriculture) (A+B+C+D) 2533.00

	Schemes	Targets for 10th Plan	
E.	**Ministry of Textile**	**Physical**	**Financial**
	Share Capital participation in Weavers Cooperative Spinning Mills	21	98.00
	Total (Central Sector/ Centrally Sponsored Scheme)		**2631.00**
F.	**NCDC Sponsored Schemes**		
1.	**Marketing** - General - Fruit & Vegetables	 440 60	 379.00 31.50
	Total (1)		**410.50**
2.	**Inputs**	**1627**	**44.00**
3.	**Processing**		
	- Sugar	41	272.50
	- Spinning	22	54.00
	- Oil Seeds	7	50.00
	- Power Looms	200	150.00
	- Other Processing		
	(i) Food grains	10	5.00
	(ii) Plantation crops	75	22.00
	(i) Fruit & Vegetables	2	0.75
	Total (3)		**554.25**
4.	**Storage**		
	- Godown (No)	312 Rural 20 Mktg.	13.50
	- Capacity (in tonnes)	36200	
5.	Cold Storage	10 New 10 Rahabilitation /Modernisation	7.40

6.	Weaker Section		
	- Fishery	1010	250.00
	- Tribal	420	8.35
	- Dairy	5	6.00
	- Poultry	20	4.00
	- Coir	103	45.00
	- Sericulture	35	7.00
	- handloom	150	10.00
	Total (6)		**330.35**
7.	**Integrated Coop. Dev. Project**	**60**	**750.00**
8.	**Consumers**		**50.00**
9.	**Instrallation of Computers**	**200**	**9.00**
	Total (G)		**2169.00**
	Grand Total		**4800.00**

Annexure XIV

Proposed Plan Outlay for Various Schemes/Programmes to be Implemented during X Plan Period by the Department of Agriculture and Cooperation

(Rs. in Crore)

Sr. No.	Particulars	Proposed Out lay	
		IX Plan	**X Plan**
1.	**Ongoing Schemes of Credit Division, (DAC)**		
(i)	**Central Sector Schemes**		
	(a) CICTAB	0.30	0.33
	(b) Credit Planning and Monitoring	0.65	0.72
	(c) National Agricultural Insurance Scheme (NAIS)	730.00	1500.00
(ii)	**Centrally Sponsored Schemes**		
	(a) Non-overdues-cover (NODC)	34.00	Transferred
	(b) Agricultural Credit Stabilization Fund	30.00	To Macro
	(C) Special Scheme for SC/ST	5.00	Management
	(d) Investment in Debentures of ARDBs	750.00	825.00
(iii)	**New Schemes to be implemented by Credit Division, DAC**		
(a)	Revamping of Cooperative Credit Structure (CCS)	-	5000.00
(b)	Strengthening of infrastructure of the PACS/PCARDBs	-	150.00
2.	**On going Scheme of Cooperation Division (DAC)**		
(i)	**Central Sector Schemes :-**		
	(a) Cooperative Education and Training	73.91	140.40
	(b) Assistance to NAFED for promoting business activities	20.00	22.00
	(c) Assistance to National Cooperative Federations	5.00	15.00

	(d) Development of Multi State Cooperative Societies and Strengthening of Cooperation Division (Direction and Administration)	1.00	1.10
	(e) Integral Cooperative Development Project	70.00	150.00
(ii)	**Centrally Sponsored Schemes**		
	(a) Assistance for Cooperative Marketing Processing Storage Programme in Cooperative Under developed States/UTs	140.00	154.00
	(b) Share Capital Participation in Cooperative Sugar Mills	329.00	362.00
	(c) Share Capital Participation in Cooperative Spinning Mills	45.94	50.00
	(d) Assistance to Weaker Section Cooperatives (transferred to Macro Management)	10.00	
	(e) Assistance to Women Cooperatives (transferred to Macro Management)	8.50	
(iii) (C)	**New Schemes to be implemented by Cooperative Division DAC, NCUI/NCCT**		
	(a) Janata Personal Accident Insurance Scheme for Labour Cooperatives	1.00	5.00
	(b) Strengthening of Information Technology in State Cooperative Department		7.00
	(c) NCUI/NCCT schemes of strengthening the JTCs and distance learning @ 50% contribution by GOI	-	21.50
	Total of the existing and new schemes		**8404.05**