

CHAPTER-IV

PROFILE OF SAMPLE AGRICULTURAL COOPERATIVE CREDIT SOCIETIES

4.1. Introduction

In this chapter, basic characteristics of the sample agricultural cooperative credit societies are given in order to see whether they were functioning properly or not. The aspects covered in this regard are as follows:-

- i) Types of sample societies
- ii) Main occupation of society operators
- iii) Literacy status of sample farmers
- iv) General characteristics of sample societies
- v) Number of general body and management committee meetings.
- vi) Audits, inspections and visits done by the staff of Cooperative Department.

4.2. Types of Sample Societies

The sample societies were grouped into five categories on the basis of just distribution of the cooperative credit. Before the presentation of the results in this regard it seems appropriate to define various types of societies identified in this study. These definitions are given as under:-

a) Genuine Societies

These were the societies which were doing fair job in all respects. The limit of land holding and amount in all respects. The limit of land holding and amount of loans taken by members shown in the societies' records were similar to the ones found in the survey. The members of these societies did not make any complaint against the management.

b) Non-Genuine Societies

These societies deliberately catered to the farmers who either under report or over report their farm sizes. In this way members are allowed to received undue share of cooperative credit. Moreover, some of the members have complaints about the performance of these societies.

c) One-Man Societies

Such societies never distributed fertilizer/loans among their members. Mostly, the farmers were not aware of the existence of these societies. The single operator showed other farmers/fictitious farmers as members and the membership fees was deposited by him. Thus he brought on record credit on members' names for all the members and used it in full for his own needs.

d) Family Societies

Family societies were operated by family members / and / or close relatives. The societies were declared as family societies if (i) they had two or more members in the management committee from one family or from close relatives, (ii) they were farming together, i.e. they had joint farm. But if the members of a society coming from one family or close relatives were managing their separate farms, the societies were not treated as family societies.

Although, theoretically, the registrations of societies were done after proper investigation (see section 1.3. step 3), the development of genuine societies remained unachieved. It was

because as our team observed in the field, proper investigations were seldom done and laid down procedures were not followed. It is, therefore, necessary that the investigation about the farm size of the member be done properly. It is required not only at the time of registration of the society, but also each time the MCL of the society is fixed because the loan extended to the members is mark-up free and is only meant for small farmers.

e) Bogus Societies

These were the societies the record of which was not provided to the survey team despite repeated requests and visits. These societies were known to none in their villages. Obviously, these were bogus societies.

After defining sample societies, we are now in a position to present the distribution of the sample societies according to their type (Table 4.1). It is obvious from the data in the table that only 3 percent of the societies were genuine. The proportions of other types were: 48 percent 'one man': 20 percent 'family': 16 percent 'bogus'; and 13 percent 'non-genuine'. It may, therefore, be inferred that almost all the working cooperative societies were defective. Therefore, the chances of just distribution of scarce funds appeared to be quite bleak.

According to a study¹, conducted by the centre for Administrative Research and Development Studies (1984), about 50 percent societies were active. Thus from total of 34543 societies in Punjab in 1982-83, the number of working agricultural credit societies was 17271. Using proportions of different types of societies found in Table 4.1, the number of different types of the societies can be found. Thus the number of genuine societies out of working ones in Punjab was 518 of which non-genuine societies were 2245, one man societies were 8290, family societies were 3454 and bogus societies were 2764.

Table 4.1. Types of Sample Cooperative Societies According to their Operations

Zones	Status of Societies									
	Genuine		Non-Genuine		One Man		Family		Bogus	
	No.	%	No.	%	No.	%	No.	%	No.	%
Barani	-	-	1	33	1	33	1	33	-	-
Rice	-	-	3	17	12	66	3	17	-	-
Mixed	2	6	5	14	12	33	6	17	11	30
Cotton	-	-	1	6	11	61	5	27	1	6
Overall	2	3	10	13	36	48	15	20	12	16

¹ CARDS (1984), Agricultural Cooperative Movement in Pakistan: Perspective, Problems and Plan of Action, Centre for Administrative Research and Development Studies, Lahore

4.3. Main Occupations of Operators

According to the laid down procedure, a person having occupation other than farming cannot become a member of an agricultural credit society². But a person having a place of land or farming activity alongwith other non-farm activities may easily dodge this principle. Moreover, a good number of society operators was not actually small holders. Table 4.2 shows that the majority (33 percent) of the sample operators had their main occupation as business. Next to them (32 percent) were large farmers. Among the rest, about one half (17 percent) were small farmers and influential persons. It clearly suggests that the status of sample societies was faulty on this ground also.

Both businessmen and large farmers, who were operators of the sample societies constituted 65 percent of the total operators. Among these, the former category of operators was not expected to have interest in the benefits of small farmers. They must have temptation to use free funds³ to promote their business.

The large farms category of operators was not legally allowed to get mark-up free cooperative credit. Thus if they form the society, they must be inclined to make 'one man society' so that they could avoid unnecessary complaints from frustrated members. If we add Government servants and influential persons into these categories, the portion of uninterested operators to help small farmers becomes 83 percent (bogus societies are in addition to these). This big percentage itself speaks why genuine societies were so few.

Table 4.2. Main Occupation/Background of Society Operators*

Zones	Agriculture				Business	Govt./Public Service	Influential Persons	Total				
	Upto 12.5 Acres		Above 12.5 Acres									
	No.	%	No.	%	No.	%	No.	%	No.	%		
Barani	1	33	-	-	1	33	1	33	-	-	3	100
Rice	2	11	5	28	6	33	2	11	3	17	18	100
Mixed	8	32	10	40	6	24	-	-	1	4	25	100
Cotton	-	-	5	29	8	47	2	12	2	12	17	100
Overall	11	17	20	32	21	33	5	8	6	10	63	100

* Since not data on this aspect for bogus societies was available, the distribution of only 63 out of 75 societies is given in this table. The rest are bogus societies.

The field teams observed that many of the operators were either commission agents or village shopkeepers. They were getting fertilizer from cooperatives and selling them on their shops. This shows that the cooperative credit was not generally going to the target group. It is thus very likely that the cooperative credit was causing "more unequal & concentrated pattern of rural income distribution than before".⁴

² ibid

³ As cooperative credit is mark-up free

⁴ Bourne, C. and Graham, D. H. (1981), 'Problems with Supply Leading Finance in Agricultural Development', (Mimeograph) a paper presented in Colloquium on Rural Finance, Sept. 1-3, 1981, Economic Development Instt. World Bank, Washington.

4.4. Literacy Status of Sample Members

It is quite important that a society should have educated members which is necessary for making the society a success. This section attempts to find the literacy status of sample members viz-a-viz sample non-samplers. The results of the survey data are presented in Table 4.3.

The data in the table depicts that a higher proportion of sample members was literate compared with the non-members, but the difference was not statistically significant⁵. It means the members did not have literacy level higher than the level shown by the non-members.

Table 4.3 Literacy Status of Sample Farmers

Status	Members		Non-Members		All Farmers	
	Numbers	Percent	Numbers	Percent	Numbers	Percent
Illiterate	112	47	62	52	174	49
Literate	125	53	57	48	182	51
Overall	237	100	119	100	356	100

**Since the members in 'one man' societies were just dummies, they were not taken for further analysis. Thus the table gives distribution of 356 respondents instead of 832.*

4.5. General Characteristics of Sample Societies

A village is a small unit of settlement, and any important even which takes place at one corner of the village becomes known to everybody in the village within a short time. Thus if 10 households or more join to make a cooperative society, it is not an unimportant even which could be concealed from other households in the village, unless the society is made by one person or one family silently and is being operated only by him most probably with the knowledge of the area Sub-Inspector/Inspector, etc. It was found that the knowledge of the society in the area was a good criterion to evaluate whether the society was genuine. This information is summarized in Table 4.4.

It was found that 46 (61 percent) out of 75 societies were unknown in their areas. The maximum proportion (67 percent) of unknown societies was in 'rice crop zone' which was followed by 'mixed crop zone' (64 percent). The minimum proportion was in 'Barani zone' (Table 4.4)

Average number of members in sample societies is also given in Table 4.4. It is apparent from the data that the average of members (51) was higher in 'barani zone' which was followed by 'rice crop zone'. The lowest number (36) was reported in mixed and cotton zones.

⁵ 'Z' test was applied to the proportions. The calculated value of Z was $0.89 < 1.96$ at 5 percent. Thus proportions are not significantly different from each other.

Table 4.4. General Characteristics of Sample Societies

Zones	No. of Sample Societies	Average No. of Members in a Society	Societies Generally Not Known	
			Number	%
Barani	3	51	1	33
Rice	18	39	12	67
Mixed	36	36	23	64
Cotton	18	36	10	56
Overall	75	37	46	61

4.6. General Body and Management Committee Meetings

The very basis of the cooperative movement is 'democracy'. It finds its role in the movement through the institutions of 'general body' of the society and the 'management committee'. The former is the supreme body in the society which decides in its meetings all the matters related to law making, general policy of the society, election of management committee, etc. All the members of the society participate in its meetings with equal rights to vote. The latter institution, i.e. the management committee is elected by the general body. It deals with the day-to-day matters of the society and takes decisions on society's behalf. Still the functioning of the management committee remains democratic. In all matters, the members of the committee sit together and collectively decide all the society's matters on the basis of majority opinion.

It is, therefore, apparent from the above discussion that more are the general body meetings and more the attendance in them, greater will be the awareness among the members. Table 4.5 depicts the number of general body meetings during the survey year alongwith percent attendance in them. It was found that the general body meetings, on an average, were held 1.2 times in the year. The attendance in them was 47 percent on the basis of the societies' record and 31 percent according to our survey. On any standard this is very low. The number shows that the meetings were only held at the time of getting credit which was taken only once or twice in a year. The number of meetings thus indicates that the societies do not have any common cause except getting mark-up free credit, and the attendance explains the indifference of members towards societies' matters.

Table 4.5. General Body and Management Committee Meetings held during 1984-85

Zones	General Body Meetings			Management Committee Meetings	
	Average No. of Meetings	Average % of Attendance		Average No. of Meetings	Average % of Attendance
		Record	Survey		
Barani	1	38	30	2	57
Rice	1.3	48	37	5.3	65
Mixed	1.2	50	27	4.6	67

Cotton	1.3	46	30	3.6	81
Overall	1.2	47	31	4.2	69

The management committee meetings and attendance in them was, however, much higher. The average number of meetings was 4.2 and the attendance was 69 percent (Table 4.,5). It may be due to lesser number of people involved in the committee. If this is seen in the light of types of cooperative societies (section 4.2), and the occupation of the operators (section 4.3), the reasons become quite apparent. Since almost all the sample societies (97 percent) were faulty, and majority (83 percent) of the operators were not small farmers, it was difficult for them to call general body meeting. It seems as if most of the general body meetings were held on papers, and the management committees were nothing except the operators themselves.

4.7. Audit & Inspection of Societies by the staff

According to Provincial Cooperative Bank, the Cooperative Department is responsible for regular audit and inspection of accounts of the societies getting mark-up free loans. The societies get agricultural loans once or twice in a year. Thus the audit should have frequency of at least 1 to 2, in addition to frequent inspections.

Audits and inspections are very crucial, especially in the context of agricultural cooperative credit societies. These societies are run by people who do not have formal training in financial management which is a highly technical and specialized subject.

Survey results in this regard are presented in Table 4.6. The data in the table indicate that the Cooperative Department is neither performing adequate number of audits, nor paying reasonable number of visits. Average number of audits was found 0.19 per society in which some of the areas had virtually no audits. Similarly, the number of visits paid by the officer/s officials to the societies were hopelessly low. It is interesting to note that the aggregate of all the average number of audits and inspections was only 0.5 which clearly indicates that half of the societies in Punjab remain unchecked by the Cooperative Department. This is in line with the observations that almost all the sample societies showed their record on brand new registers when our team visited them. They generally failed to produce old record which reflects that all the record was newly prepared only to show to the filed team of the institute. Otherwise, the society was seldom visited by the officials even to ensure that it is maintaining its registers properly. From this state of affairs one can easily conclude that huge amounts are being given in mostly in-appropriate hands with virtually no monitoring.

Table 4.6: Audits and Inspections of Societies by the Staff

Zones	Average No. of Audits		Average No. of Inspections				Average No. of Visits	
	Sub Inspector	Inspector	Sub Inspector	Inspector	Sub Inspector	Inspector	Sub Inspector	Inspector
Barani	-	-	0.67	-	-	-	2	-
Rice	-	-	0.06	0.17	0.11	0.6	0.33	0.33

Mixed	0.64	-	0.08	0.04	0.04	-	0.12	0.04
Cotton	0.47	-	-	-	-	0.12	0.18	0.12
Overall	0.19	-	0.03	0.03	0.02	0.02	0.14	0.07

4.8. Conclusions

The data discussed in this chapter indicate that the ‘inspections’, ‘visits’ and ‘audits’ of the societies were seldom done. As a result genuine societies were just disappearing, and ‘bogus’, ‘one-man’ and ‘non-genuine’ societies were showing mushroom growth. Obviously, it is an undesirable phenomenon which must be curbed as soon as possible. To achieve this objective, following steps are recommended:-

- i) The Circle Registrar must visit each of the societies in his circle at least once in each ‘rabi’ and kharif” crop season. In order to make it feasible, the following must be ensured:
 - a) The Circle Registrar is given proper transport with adequate amount of operating expenditure, because at present they have very meager amounts of funds for running and maintenance of vehicles.
 - b) Formation of many societies in a village should be discouraged. The possibility of organizing operative societies on watercourse basis may be explored.
 - c) if a district is big or has too many societies, it should be split in two or more circles.
- ii) There must be at least two audits of the society’s accounts (one in each crop season) in a year. For this purpose, the Circle Registrar (CR) office should be given adequate staff. At present, it was generally reported that the CR offices did not have adequate number of staff for this purpose.
- iii) At present, the responsibility of making a wrong society rests practically on nobody’s shoulders. Therefore, either ‘Inspectors’ or ‘Assistant Registrars’ must be made responsible for this. Also each of them should make at least four visits to the societies in a year.
- iv) It must be made regular practice that in each crop season (i.e. twice in a year) announcement about the existence of cooperative society in the village should be made on loudspeakers. There should also be announcements about the arrival of fertilizer, etc. in the village so that the members could come and receive it.

Monitoring and evaluation surveys should be made a regular activity. These surveys should be done an independent institution.