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Bell Mission Report 1964/65
Vol 5

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REPORT TO THE PRESIDENT OF THE
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
AND THE
INTERNATIONAL DEVELOPMENT ASSOCIATION

ON
INDIA'S ECONOMIC DEVELOPMENT EFFORT

VOLUME V
AGRICULTURAL POLICY
APPENDICES XI - XV

1964/65 Economic Mission
Headed by Bernard R. Bell

October 1, 1965

CURRENCY EQUIVALENTS

1 Indian rupee	=	U.S. \$0.21
1 U.S. dollar	=	Rs. 4.762
Rs. 1 crore	=	\$2.1 million

AGRICULTURAL POLICY

APPENDICES XI to XV

Note: Most of the Appendices are the work of individual members of the Mission and are referred to as such in Volume II, which is the main text on "Agricultural Policy". Accordingly, the list indicates the authorship. For an explanation of the relationship of the Appendices to the Report, see paragraph 15 of Volume II.

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APPENDIX XI

COOPERATIVES

Wolf Ladejinsky

APPENDIX XI

COOPERATIVES

Introduction

1. Agriculture is accorded an important place in the planned economic effort of India, and cooperative credit - like cooperation in a variety of other forms - is judged the best suited vehicle to advance agricultural progress and the welfare of the cultivators. The fact that the cooperatives languished for nearly fifty years prior to the advent of the First Plan, was the more reason for trying to make them succeed where they formerly failed. Throughout the three Plans, as well as in the outline of the coming Fourth Plan, they have been assigned a strategic role in achieving the objectives of economic planning. The cooperatives were to have been the main type of organization in several spheres of economic activity, and, in the words of the Second Plan, "the vital principle of all rural activity", thus fulfilling one of the "central aims of national policy". It is understandable, therefore, why the cooperatives have not been stinted for financial resources and other privileges with which the Government endowed them. Nor have they lacked programs and policies and, unfortunately, very ambitious targets beyond their prowess. Despite and because of all this, and despite the yeoman work performed by the Reserve Bank of India on behalf of the cooperatives, a dozen years later it is clear that they have fallen far short of fulfilling the promise reposed in them.

2. The cooperative movement in India is an outgrowth of the burden of rural indebtedness. This is a common phenomenon of every predominantly agricultural country, but possibly nowhere has it assumed such a form of permanency as in India. The peasants are steeped in it, and have been for so long a time that to be in debt is a normal state of affairs. It has been roughly estimated that about two-thirds of the agricultural population of India are heavily indebted, considering the country's rural conditions; that indebtedness is rising; and that the total farm debt in 1961-62 was Rs.3,120 crores ^{1/} or 6.2 billion dollars. These are lasting debts. It is no wonder that Sir Malcolm Darling in his classic "The Punjab Peasant in Prosperity and Debt" summed up the problem by saying that the peasant "is born in debt, lives in debt, dies in debt, and bequeaths debt". He made this remark in his first edition (1925) and he saw no reason for changing his opinion for the fourth edition, in 1947; judging by his comments in the 1950's, about which more later, his position apparently remained unchanged then. His dictum applies to the 20 per cent of the upper-crust farmers to a limited degree, but it is still an overwhelming problem with the rest of the cultivators.

^{1/} Rs. 1 crore = \$2.1 million
Rs. 1 = \$0.21
1 U.S. Dollar = Rs.4.762

3. There are many reasons why an Indian peasant must borrow. One of them is past indebtedness, and here is where its hereditary nature comes in. Under the joint family system, the debt incurred by the head of the family is not a personal debt which becomes extinct upon the death of the borrower but is passed on from father to son. He, in turn, must borrow at high interest rates (25 per cent and more) to "maintain" his status as a debtor. The net effect of these high charges is that once a cultivator gets into debt it is extremely difficult for him to extricate himself. These remarks relate mainly to pre-cooperative days, but as will be shown elsewhere, these conditions still apply, even if not in their most extreme form, for the majority of borrowings still come from private sources.

4. Borrowing at high interest charges augments the debt already contracted, but the main cause leading to indebtedness is the prevailing poverty of vast numbers of Indian cultivators. This has come about from the small holdings operated by the farmers and their subdivision and fragmentation, which makes it difficult for the cultivator to live within his small income; frequent crop failures; loss of cattle; the ease with which a loan may be secured from a moneylender; purchase of land at high prices, especially during periods of boom; fairly high expenditures for marriage and other social and religious ceremonies to keep up social prestige in the eyes of his fellow villagers (on such occasions the peasant does not count the money cost) and finally, a shortage of subsidiary occupations in the off seasons. What is significant to note - and unto the very recent times when the credit co-operatives have eased the problem in certain areas - is that the greater part of the indebtedness is a mark of distress; the loans are mostly for consumption rather than productive purposes. In such conditions, a high debt does not necessarily imply substantial assets leading to increased productivity.

Cooperative History and Policy Changes

5. For nearly a century, prior to Independence, many measures were initiated to ease the burden of indebtedness. Among these may be mentioned the control of land alienation, outright liquidation of some debts and control of the existing (moneylenders') credit system. They were all of little avail. It was out of recognition of this state of affairs that the credit co-operatives came into being sixty years ago. They were to provide not only rural credit but serve as the pivots of rural progress. Confidence in the co-operatives ran high even 30 years later when they did not do well at all. The Royal Commission on Agriculture (1928) noted that "cooperative principles can be used in overcoming most of the obstacles to progress in rural communities", and that those of India were no exception. Having subjected many aspects of Indian agriculture to a thorough examination in search of a remedy, the Commission concluded that "if cooperation fails, there will fail the best hope of rural India".

6. The cooperatives came into existence with the passage of the Cooperative Act of 1904. Leaving out the more recent tendency to extol their role beyond reason, their objective in the early days was ambitious enough to break the credit system of the moneylenders by providing loans to cultivators at reasonable rates through village cooperatives. They were expected to mobilize deposits from members and non-members to finance the borrowings of the cultivators. In practice, the greater part of the financial responsibility was shouldered by the Government. During a period of nearly half a century about 100,000 cooperatives were organized, but their achievements were altogether limited; as late as the beginning of this half-century they provided only 3 per cent of all rural borrowings, and the first fifty years may be written off as a failure.

7. The Rural Credit Survey, conducted by the Reserve Bank in 1951, evaluated their performance and came to the conclusion that, though they did not work well at all, they had to succeed in the future. In the words of the Survey:

"Even if ... the record of the cooperatives in the sphere of agricultural credit emerges as defective in more than one way, the fact needs to be emphasized that the cooperative agency still remains, in many respects, by far the least unsatisfactory channel of credit to the cultivator. At this stage, we would lay down the proposition that the reorganization of agricultural credit in India must be based on some form of cooperative association of cultivators within the village itself."

8. The Survey revealed that 63 per cent of all rural families were in debt, and for cultivating and non-cultivating families respectively, the figures stood at 69 and 52. The average debt per cultivator was Rs. 364 and Rs. 129 per non-cultivator family. Of the borrowings by the cultivators, 47 per cent were claimed to be for current and non-current agricultural purposes and 53 per cent for consumption purposes. The Survey also found that the burden of rural debt and rural credit as a remedy remained, as in the past (and the years following), an extraordinary complex of needs, purposes, some fulfillment and much frustration.

9. In the history of the cooperatives, the Survey will be ranked very highly for a great many reasons, the principal ones being that it drew a line between the first fifty years and those that followed, at the same time providing a stimulus for the country's modern cooperative movement. Some of the Survey's recommendations are particularly germane to our theme. They are summed up here as follows. The basis of cooperative loans should be crops grown by the cultivators and not the land owned by them. Cooperatives should finance the cultivators to the extent of the cost incurred in growing crops irrespective of their ownership, and loans should be recovered from the proceeds of sale of such crops. To implement this recommendation, the primary societies were to be reorganized as large-sized societies, thus moving them

closer to economic viability; they were to be administered by trained, full-time paid personnel, and the Government, with the active assistance of the Reserve Bank, was to provide them with financial assistance in order to strengthen their resources. Simultaneously, the Second Plan assigned to the cooperatives a very important role in helping to achieve its objectives, and the total outlay on cooperation was raised from Rs. 7 crores during the First Plan to Rs. 49 crores during the Second Plan.

10. While the development of large-sized credit societies was underway, the policy was reviewed in 1958, and the National Development Council ^{1/} recommended some radical changes in the pattern of the organization of credit cooperatives. The Council resolved that the development of the cooperative movement should be directed towards intensifying agricultural production, mobilizing local resources, and shifting cooperatives from being merely credit-oriented to being production-oriented. Each village community was to draw up a comprehensive program for increasing agricultural production, and the growth of credit was to be closely linked with such a program. The most outstanding recommendation was that in order to promote cooperation as a peoples' movement, it was essential to organize cooperatives on the basis of one primary credit society for each village or covering two or more villages not exceeding 1,000 families, without jeopardizing the principle of mutual contact or social cohesion. The organization of large-sized societies was prohibited - thus, an important shift in policy in mid-stream, so to speak. The consequences of this change will be discussed at length elsewhere, but we may comment here that this was one of the few recommendations carried out; between 1958 and 1963 about 47,000 new primary credit societies were hastily created by cooperative officials eager to meet the targets set for them by the Government. Aside from the fact that the farmers demonstrated no "voluntarism" in becoming members of these new societies, the change in policy toward favoring small as against large societies has affected most adversely the entire cooperative movement. This, on the top of the failure of the cooperatives to heed the recommendation of becoming production-oriented, explains the latest change in policy decreed in 1964, namely, a move away from small primary societies and once again towards the more viable large-sized cooperatives.

The Credit Structure

11. At the base of the agricultural credit structure is the moneylender. Though in bad repute, until a decade ago or so he provided nearly 70 per cent of the total rural borrowings (Table I); with the rise of institutional or cooperative credit his share declined, but it is still probably close to 60 per cent of the total. The moneylender is an indispensable source of credit, and from the cultivator's point of view he has many advantages over the credit cooperative. He is easily accessible, and his methods of business are simple and elastic. He maintains personal contact with the borrower. His local knowledge and experience and his presence on the spot enable him to accommodate persons without tangible assets and yet protect himself against losses. He hardly inquires into the purpose of a loan so long as he thinks

^{1/} The Resolution of the National Development Council on Cooperative Policy, November 8-9, 1958.

that he will collect the high interest rate, which can be as high as 25 per cent or even more. He is more concerned about the interest rate than the repayment of the principal, for in this manner he can milk the borrower for a long time to come. To this day, many cultivators fear the consequences of displeasing the moneylender by seeking institutional credit, and many of course borrow from the moneylender and the primary credit society, often with an eye of meeting their obligations to the former. The cooperatives are expected to displace the moneylenders, but this, clearly, is way off in the distant future.

12. Credit cooperatives have a three-tier structure: primary society at the village level, Central Cooperative Bank at the district level; and Apex or State Cooperative Bank at the State level. The internal resources of a primary society consist of share capital, reserves and deposits by members. Their major finance resources are external; they come from the Central Cooperative Banks, which in turn are supplied by Apex or State Cooperative Banks. These form the top of the cooperative organization in each State. As will be pointed out elsewhere, the latter depend to a large degree upon funds borrowed from the Reserve Bank of India, and, to a smaller degree, on other official funds.

13. In addition, there are Land Mortgage Banks and the Agricultural Refinance Corporation. The purpose of the former is to provide long-term loans to cultivators, repayable in 10 to 20 years, for land improvement and land purchases. There are 18 federal land mortgage banks and 462 primary or smaller banks, mostly located in Andhra Pradesh, Madras and Mysore. They have a membership of about a million and they advanced for a variety of purposes Rs. 19 crores in 1962/63. More than 90 per cent of the loans were accounted for by five States. The land mortgage banks raise part of their funds on the open market (40%) by floating debentures, running for periods coinciding with the period of their advances, usually 15 years, and for the other 60 per cent depend on the Reserve Bank, State Bank of India, and the State Life Insurance Corporation. Mortgages on the borrowers' land are guaranteed by the State Government Act as debenture security. The Agricultural Refinance Corporation was established in 1963 in close collaboration with the Reserve Bank, with an authorized share capital of Rs. 25 crores. The Corporation is barely under-way; when in operation, it will concern itself mainly with the financing of special agricultural projects which cannot be satisfactorily financed either by central land mortgage banks or state cooperative banks.

14. There is yet another source of credit which is becoming part of the credit structure described here. This is the Taccavi credit system operated by the State Governments. Over the years, most of such credit was distributed directly to the farmers and the remainder through the cooperatives. It is believed that as of 1965, it is all to be channelled through the cooperatives. The sum involved is not an insignificant one; in 1960-61, advances from this source amounted to Rs. 41 crores as against Rs. 26 crores in 1957-58.

15. The dependence of the cooperatives on Government financing is not accidental. In India, a unit of land is combined with too much labor and too little capital. Any restoration of balance must be accompanied by an increase in its capital content. Since the saving potential of the sector is quite small, credit must naturally play a strategic part in accelerating the growth of agricultural production. And in India it is not the commercial banks or the moneylenders that wish to provide that kind of credit. Cooperatives thus remain the only institutional source for catering to the growing credit needs of agriculture. This explains the continuous effort on the part of the Government to furnish a rising volume of credit.

16. An account of the structure of cooperative credit or, for that matter, of any aspect of cooperative activity, is not complete without a brief reference to the important role played by the Reserve Bank in the development of rural credit. Although there is a Ministry of Community Development and Cooperation, for all practical purposes the Agricultural Credit Department of the Reserve Bank is the "brain truster" and an important activity of the cooperative movement. To be sure, the Bank's views on certain important issues, such as small-scale versus large-sized cooperatives or the implementation of other policies it has sponsored, have not always prevailed. Nevertheless, the Bank has been taking an interest in, and influencing, the formulation of plans of cooperative development in the country; it has been reviewing the operations of cooperative institutions in different States; it has been taking considerable part in the reorganization and "rationalization" of the credit system in cooperatively underdeveloped States; through a system of voluntary inspection of cooperative banks, it has been trying to improve their working and administration; it has set up a standing Advisory Committee on Agricultural Credit in order to obtain advice on matters of vital interest to the cooperative credit system; through the research division of the Agricultural Credit Department, the Bank has become the center of dissemination of information on the cooperative movement in India; until July 1962, the Bank was a close participant in organizing training centers for cooperative personnel. But apart from these activities, the Bank has a large financial stake in the cooperatives since it provides them with half of the total funds to finance their credit operations.

Facts and Figures on Cooperative Development

17. In 1961-62, total outstanding farm borrowings were estimated at Rs.3,120 crores ¹/₁. Fresh borrowings during that year amounted to Rs. 1,029 crores ²/₂, of which nearly half was for payment of outstanding loans. Of the

¹/₁ All-India Rural Debt and Investment Survey. Reserve Bank of India Bulletin, December, 1963.

²/₂ Performance of Cooperative Credit. Reserve Bank paper, Appendix IX, Table II.

total loans advanced in that year, institutional (cooperative) credit accounted for Rs. 241 crores, or 23.5 per cent of the total. While the latter is a nearly eight-fold increase compared with a decade ago, conventional credit, principally furnished by moneylenders, still furnished the lion's share of the total. As to the utilization of the loans, 58 per cent of the total were devoted to household expenditures and 42 per cent to agricultural expenditures, of which 30 per cent went into what might be considered agricultural investments and 12 per cent into current agricultural expenditures ^{1/}. The borrowings do not indicate the actual credit needs of the farming community. The cost of private credit is so exorbitant that many needs which could be met by credit are simply postponed. The cost of credit also increases substantially for people with small holdings, as well as for those who till the land they do not own, and is costlier still for agricultural laborers. We must add to this that many in the rural community are not credit-worthy even to the moneylenders. The obvious conclusion is that there is a large gap between borrowings and actual credit requirements.

18. A glance at Table III shows that the cooperatives have made some progress in India ^{2/}. There were in 1962-63 altogether 211,000 agricultural primary credit societies, with a membership of 22 million. Of the total number of societies about 8,000 are large-sized; these constituted only 4 per cent of the total number and accounted for 24 per cent of the membership, 34 per cent of the share capital and 30 per cent of the loans advanced during the year. The number of "dormant" societies at the end of 1962-63 was 39,000, or 18.5 per cent of the total number of societies. Actually, the number of dormant societies is larger, for, of the total number of credit societies about 50,000 extended no loans at all ^{3/}. Primary credit societies covered about 81 per cent of the villages and 31 per cent of the rural families, but the cooperatives are not spread evenly over the country. At the end of 1962, they covered nearly all the villages in the States of Madras, Uttar Pradesh, Gujarat, Maharashtra, Kerala and Punjab. At the other extreme, stood Orissa with only 47 per cent of the villages covered. In terms of coverage of the rural population, Madras stood first with 80 per cent, while West Bengal stood last with 12.6 per cent. However, in all Eastern States, they covered or served less than 14 per cent of the rural population. Clearly, "covering" a village does not "cover" the village population.

^{1/} Cooperative Development in India. Report to the Fourth Cooperative Congress, 1963, page 19.

^{2/} The reference from here on is to agricultural credit societies - unless otherwise noted. The number of all types of societies is 346,174 (1963/64), of which 211,000 are agricultural societies, or 60 per cent of the total. The remainder, in round figures, is made up of the following non-credit societies: weavers' and other industrial societies, 13,000 and 22,000 respectively; sugar cane supply societies, 9,000; other processing societies, 8,500; consumers' stores, 8,500; housing societies, 9,000; milk supply societies, 5,000; farming societies, 4,500; and marketing societies, 3,300.

^{3/} Statistical Statement Relating to the Cooperative Movement in India, 1962-63, page iii. Reserve Bank of India.

19. Supplying credit is the main function of the cooperatives. During 1962-63, they advanced Rs. 252 crores, of which Rs. 225 crores were short-term loans, intended mostly to finance seasonal agricultural operations, which are to be repaid in one year ^{1/}. The rest of the loans, Rs. 27 crores, were advanced as medium-term credit to be repaid within 3 to 5 years; these loans are mainly for purchasing cattle and for land improvements which do not call for large capital investments. While the total loans advanced by the primary societies increased from about Rs. 50 crores in 1956 to Rs. 252 crores in 1962-63, the average loan advanced per member increased from Rs.64 to Rs.111 during 1956-63. The average amount advanced varies widely from State to State: it was Rs. 515 in Gujarat, Rs.331 in Maharashtra, Rs.263 in Madhya Pradesh and Rs. 259 in Andhra Pradesh, while it was only Rs.86 in Bihar and Rs. 63 in Jammu and Kashmir. The working capital of all primary societies was Rs.375 crores in 1962-63, their own funds accounting for Rs. 104 crores. The States had contributed Rs. 8 crores to their share capital, and the rest of the working capital was based on their borrowings. As already noted, the Reserve Bank provides roughly one-half of the working capital of the State Cooperative Banks at a "concessional" rate of 2 per cent below the normal bank rate. The State banks in turn channel these advances to the primary credit societies. As an illustration of the rising role of the Reserve Bank in providing credit resources, it had expanded its lending from Rs. 30 crores in 1955-56 to Rs.138 crores in 1962-63.

20. Part of the borrowings of the cooperatives consist of member-deposits, but in 1962-63 they amounted to only Rs.22 crores. Deposits per member are very small, averaging less than Rs. 10. Like much else in the primary credit societies, they vary sharply, from a low of Rs. 2 in Assam to Rs. 27 in Kerala and a maximum of Rs. 38 in Punjab. They are admittedly very small, and the exhortations to raise them have not been very fruitful. This is not surprising: what is surprising is that, small as the deposits are, they are made at all. The explanation is not far to seek. The interest rate paid by the State Cooperative Banks on deposits of one-year duration may be as low as 2 to 2.5 per cent per year and are seldom higher than 4 per cent; only when deposits remain for a period of over 3 years, can they be as high as 5 per cent. The interest rate on savings deposits does not exceed 3 per cent. The interest rates on deposits with primary credit societies are still lower and the deposits often draw no interest. In a rural society where interest rates are exorbitant, these are, of course, not high enough to induce the cultivator to make deposits. One suspects that what falls into the category of "deposits" are involuntary contributions to a credit cooperative rather than sources of deriving additional income, and the cooperatives are not a way of encouraging thrift and savings.

21. Not all members of the cooperatives avail themselves of cooperative credit. Actually, only about 50 per cent of them do so. According to the Reserve Bank, the following are the principal reasons: ability of some cultivators to meet their expenses from their own resources; lack of need of others to borrow because of the traditionally low level of inputs in the area; for still others the fact that they are not security or credit-worthy; default

^{1/} Data in this paragraph supplied by the National Cooperative Union of India.

on earlier loans; group factionalism resulting in denial of loans; failure to present "farm plans" where such are demanded, as in the case of the intensive development districts, popularly known as the "package programs"; untimely disbursement of loans due to unwarranted delays; "normal" excessive redtape in getting a loan; insistence on accepting loans in kind, that is, solely for the purchase of some kind of an agricultural input; "while in some States, large numbers of non-rural members are admitted but given no loans" 1/. It is significant also to point out that the percentage of members of the agricultural societies who borrow has declined from 59 per cent in 1959-60 to 53 per cent in 1960-61, 51 per cent in 1961-62 and 47 per cent in 1962-63. (Table IV). This appears to be a national trend, the exceptions - where the percentage mostly remained constant - are Punjab, Andhra Pradesh, Kerala and Maharashtra. In some States, the shift over the four years is particularly pronounced, Madras showing a decline from 53 to 36, Rajasthan from 53 to 33, and Assam from 35 (1960-61) to 9 per cent. It is obvious that an increasing percentage of the membership do not borrow from the cooperatives; what is less obvious is that it is "more probably ... unable to borrow from the cooperatives", and at a time when the primary societies cover more and more villages. A writer of the Reserve Bank concludes that: "These contrasting trends would indicate that while the cooperatives' credit movement is taking in more villages in its train, the relative effectiveness of the movement is declining in as many as eight States (out of 15)." 2/

22. In 1958 the National Development Council laid down the policy that Taccavi loans extended directly to the cultivators by the State Governments should be channeled through the cooperatives only. This was done with an eye to concentrating all Government financing through the cooperatives. The V.L. Patel Committee of 1959 on the expansion of credit for agricultural production made the same recommendation. This recommendation was never applied, although these loans appear to have been handled in a manner less satisfactory than those of the cooperatives. To one student of the credit problem, "the record of Taccavi for the last 80 years is a record of inadequacies in respect of the quantum, timeliness and utilization of the loan and of recoveries of dues. Surely, we should learn of the experience of the last 80 years". 3/

Marketing Cooperatives and Cooperative Trade

23. In 1962-63, there were 3,150 marketing societies with a membership of 1,500,000. About 2,620 of them were general purpose societies dealing in all manner of agricultural commodities; among the more important ones are the 96 cotton marketing societies. About one-third of the marketing societies do

1/ H.R. Bhide. Integrated Scheme of Rural Credit: An Assessment KHADIGRAMODYOG, October, 1964.

2/ Performance of Cooperative Credit, Appendix IX, page 15. Reserve Bank of India.

3/ H. R. Bhide. Op. cit. page 11

not engage in marketing at all, dealing mostly with distribution of farm requirements. Only 2,057 societies undertook marketing operations, and their total sales amounted to Rs. 37 crores, chiefly in five States: Maharashtra, Uttar Pradesh, Mysore, Gujarat and Madras. It should be noted that marketing societies functioned mainly as commission agents in marketing the produce of their members. Outright purchases by the societies by the offer of competitive prices to their members are made only in exceptional cases. Only in Gujarat, do cotton sales and purchase societies pool the produce of their members and sell the pooled cotton on their behalf. The real marketing work in India is undertaken by processing societies, especially cooperative sugar societies. There are 57 cooperative sugar factories with a total membership of 1.6 million canegrowers. They account for 24 per cent of the total capacity of the industry. The share of the cooperative sector in the total production of sugar was about 21 per cent.

24. In 1960/61, cooperatives sold fertilizers valued at Rs. 155 million or 35 per cent of the total input of fertilizers in the country, valued at Rs. 448 million. This share has gone up very considerably since then, but the requisite data are not available. Seeds sold through cooperatives amounted to only Rs. 72 million (0.3 per cent) against Rs. 3,472 million worth of seeds used. Total agricultural requirements sold through the cooperatives were Rs. 199 million (3 per cent) against a Rs. 7,274 million material input sale. It is estimated that the gross value of all agricultural commodities in 1960/1961 was Rs. 71,122 million. Assuming that only 30 per cent of the agricultural produce is actually marketed, agricultural commodities valued at Rs. 21,337 million may have been sold. Against this estimate, agricultural produce sold through cooperative marketing societies was valued at Rs. 1,738 million (8 per cent) in 1960/61.

Evaluation of the Cooperatives

25. The Second Plan overstated the case for the cooperatives when it said that they were to be "the vital principle of all rural development". This is very far from reality years later, on the eve of the Fourth Plan. Nevertheless, the cooperatives have made some progress, and not only purely statistically. If the claim is abandoned that they are or could soon become the "one and all" in rural India, then their attainments can be seen in better perspective. There is to their credit the expansion of institutional credit, more widespread distribution of fertilizer and the spread of cooperation into many a remote region of India. Their immediate and more concrete attainment is that between 1951-52 and 1962-63 cooperative credit to farmers increased from 3 to 23.5 per cent of all rural borrowings. This is a sizable chunk of credit, and at a rate of interest of about 8 per cent compared with three times that or more charged by the moneylenders. It is evident that cooperative credit is important now to millions of cultivators.

26. Despite this progress, the Indian cooperative movement as a whole is in a bad way. Its critics, within and outside the cooperatives, are legion. They charge them with inefficient management; poor quality of cooperative leadership; favoritism of the stronger as against the weak; corruption; failure to learn from past experience; undue dependence on Government financial support; failure of the main body of the cooperatives to emerge as a self-reliant organization bent on improving the lot of the peasants; and with few exceptions, being concerned mainly with quantitative rather than qualitative achievements. Some of the evidence underlying these charges is presented in some detail in the subsequent paragraphs.

27. The primary societies, after audit, are classified as "A", "B", "C", "D", or "E". Cooperatives in the "A" and "B" classes function satisfactorily, and many of them can serve as models for others. "C" class cooperatives are mediocre, and as to "D" and "E", these latter are used, in the words of Sir Malcolm Darling, "to distinguish between those in hospital and those approaching the mortuary". The table at the end of this paragraph tells the story, namely, that only 18 per cent of the audited cooperatives' work well. The "18 per cent" is an average figure, and as such is a bit misleading. Thus, "A" and "B" societies constitute only 1 per cent of the total in the States of West Bengal, Uttar Pradesh and Orissa, 3 per cent in Madhya Pradesh and 5 per cent in Bihar. More than half of the societies are grouped in the "A" and "B" classes only in Punjab, Gujarat, Maharashtra and Andhra Pradesh.

Audit Class	1957-58		1962-63	
	No.	%	No.	%
"A" and "B"	23,157	18.0	32,998	17.96
"C"	89,147	66.6	129,755	70.58
"D" and "E"	20,539	15.4	21,075	11.46

28. Directly related to the point made in the preceding paragraph is the familiar penchant for "targetism" - in cooperatives as in much else. Under the impact of the drive for "one village-one cooperative", between 1957/58 and 1962/63, the number of cooperatives increased from 167,000 to 211,000. Not more than 15 to 20 per cent of the new cooperatives can be considered "genuine". Besides, as a result of the hectic effort to organize new societies, the strengthening of the old ones was neglected. The danger inherent in this phase of expansionism did not escape the attention of Sir Malcolm Darling^{1/} when the targets had just been set. Said Sir Malcolm:

"Owing to a natural human tendency for those below to wish to please those above, I found many disposed to regard the targets under the (Second) Plan as aims to be achieved at all costs. It was almost as if they thought the peasant had been made for the target and not the target for the peasant. This is a tendency very much to be guarded against at all levels, if the new structure is to be built on sound lines."

^{1/} Sir Malcolm Darling, Report on Certain Aspects of Cooperative Movement in India, page 2. Published by Planning Commission, 1957.

Sir Malcolm's worst fears came true, for in the years following, the emphasis continued to be on more rather than better cooperatives. Target-mindedness rather than cooperative-mindedness became an end itself instead of a means to an end. This "disease" has affected cooperative officials at all levels, for, in effect, they earned their merit, so to speak, by the number of new cooperatives they were able to register. The bad effects of this drive have been very serious, and, as shown in another section of this paper, it will be a number of years before a sounder cooperative movement comes into being.

29. One of the shortcomings of the cooperative movement is that while it tries to widen and deepen the sources of rural credit, it neglects savings and thrift. These words, according to Darling, are:

"Hardly even mentioned in the Rural Credit Survey Report; the emphasis is entirely on credit. Nor is it even used in speaking of the credit society, and it has been dropped out of the society's official designation. Originally, following the Raiffeisen model on which these societies are based, they were called 'Thrift-Credit Societies' and were registered accordingly ... 'What's in a name' some may say with Juliet, but what slips out of speech soon slips out of thought. I suggest therefore that the name - Thrift and Credit Society - should be restored."

30. Credit Overdues. A characteristic feature of cooperative operations, adversely reflecting upon their efficiency, is the amount of "overdues". This is a measure of the strength of the cooperatives as well as of attitude of the borrowers vis-a-vis the credit cooperatives. Of the total loans outstanding of Rs.296 crores in 1962/63, the overdue amounted to Rs. 77 crores, or 26 per cent. This percentage has tended to increase with the expansion of credit resources. According to the Reserve Bank, about half of the overdues must be treated as bad debts and written off as losses. Breaking down the average of 26 per cent, we find that in Assam the overdues are 76 per cent of total lendings; in Mysore 48 per cent; in Rajasthan 47 per cent; in Bihar 42 per cent; and only in Uttar Pradesh and Madras were they as low as 14 and 10 per cent, respectively. According to Mr. M.L. Bhide, Vice-Governor of the Reserve Bank:

"Overdues at all levels have gone up considerably and this is a matter for serious concern. The overdues at the primary and central bank levels are very nearly equal to their total share capital and therefore the overdues have to be passed on to the higher financing agencies."1/

1/ M. L. Bhide, op. cit. page 6.

But even if the overdues are thus absorbed, it does not minimize the fact that the failure to recover loans diminishes the total flow of credit; results in large numbers of cultivators among those "overdue" losing their credit standing altogether at least for some time to come; and increases the number of dormant societies and the liquidation of many. And yet even this picture is not without a silver lining. If it is any consolation, it may be recalled that a decade ago, the overdues were much higher; they had risen from 18 per cent in 1950-51 to 38 per cent in 1954-55 1/.

31. In the preceding paragraph, we noted that "overdues" are also a test of the borrower's attitude vis-a-vis the cooperatives. This implies a negative attitude, but this is only partly true. Non-repayment is often a result of an "Act of God" rather than a deliberate failure to meet a loan obligation; nor does improvidence of the cultivator always enter the picture. Inability to repay loans is frequently due to widespread failure of crops caused by drought, floods, pests and other natural calamities. When this happens, as is often the case in India, cultivators with meager resources are left high and dry for years to come. Overdues then are inevitable, and so is the demise of many a cooperative suffering from failure to recover many long overdue loans. It was to meet this situation that, as far back as 1956, the Reserve Bank took the initiative of creating a National Agricultural Credit (Stabilization) Fund, to which it has so far contributed Rs. 9 crores, or about Rs. 1 crores per year. The real creators of the Stabilization Fund were to have been the State (Apex) and central cooperative banks, based on a special scheme of financing this measure. As of 1962, that plan had not met with success, although overdues arising from natural calamities have attracted increasing attention. Thus "The building up of the funds within the cooperative credit structure has ... proceeded at a much slower pace than was envisaged and the total amount accumulated in these funds is only Rs. 2.8 crores at the Apex bank level and Rs. 3.7 crores at the central bank level."2/

32. The latter sums are considered totally inadequate, and the search is on for ways and means of dealing with one important aspect of overdues. It is admitted that the cooperatives are not in a financial position to raise their contributions to the Fund, and "It is, therefore, necessary that State Governments should come to the assistance of the cooperative banking structure in building up these funds to reasonable levels in the immediate future."3/ The amount of the assistance is not indicated, but it must be "substantial"; 50 per cent of it is to be a grant and the remaining 50 per cent an interest-free loan. Whatever the outcome, what stands out in this is the frail financial structure of cooperatives; the failure or inability to build up reserves to meet emergency conditions; and the continuous need for financial nursing from sources outside the cooperatives themselves.

1/ Sir Malcolm Darling. Op. cit., page 5.

2/ Twenty-Eighth Meeting of the Standing Advisory Committee on Agricultural Credit, page 2 of the Explanatory Memorandum to Rules. Reserve Bank, Bombay, 1964.

3/ Ibid, page 8

33. Credit and Crop Loans. A significant test of the service to agriculture rendered by the cooperatives is the degree to which they advance crop loans to cultivators. As the term implies, such loans are intended to create a more direct link between credit and agricultural production. The basic features of this system, which is production and market-oriented, are the setting of credit scales on the basis of the cash outlay per unit area of crop by type of crop; disbursement of loans in installments and to the extent possible in kind; the linking of repayments with harvesting; and the recovery of loans through marketing societies out of the sale proceeds of the crop financed. Thus, the basis of crop loans is the requirement of the farmer for credit for production of crops and not his landed assets. Under the system of crop loans, the members should be offered credit to cover the cost of cultivation (or a part of it) irrespective of whether they are owners and tenants.

34. The crop loan system embodies certain procedural requirements and practices laid down by the Committee of Directions of the All-India Rural Credit Survey. Actually, they "were not built into the structure, organization and working of the societies. The outmoded and orthodox procedures in vogue since the beginning had been followed without making any effort to effect flexibility at any stage ..."1/. The failure of the cooperatives to bother about the recommended procedures was symptomatic of their failure to adopt the crop loan system, except in some districts in very few States. The same is true even of the "package" districts. The following statement relating to credit in the IADP districts makes this clear:2/

"Although it has been accepted as a policy that the cooperatives should advance loans on the basis of the production needs as calculated in the production plans, yet in practice it has not been possible to do so. The reason is that irrespective of the production needs of a member, the ultimate amount to be given to him is subject to such conditions as the share amount to be paid by him, his repaying capacity, the absolute limits generally fixed beyond which no member can borrow whatever may be his limit according to other criteria, the land possessed by him, his past repayment performance and the resources of the societies."

Sales and Marketing Societies

35. Shifting from credit to marketing societies, the progress made by the latter has not been impressive, except in a few districts. Of the 27 districts studied by the Reserve Bank in 1951-52 and in the follow-up studies

1/ Trends in development of cooperatives in the context of the Integrated Rural Credit Scheme. An Assessment based on the Rural Credit Follow-up Surveys, page 19, Reserve Bank, December 1964.

2/ Provision of Credit in the IADP Districts. Typewritten statement prepared by Ford Foundation Package Team in late 1964 or early 1965.

of more recent years, only eight districts reported cultivators selling produce through marketing societies, and only two districts registered substantial increases in marketing of agricultural produce. Even in Maharashtra, perhaps the cooperative State of India, much of the sale of the predominating crop, cotton, takes place outside the cooperative marketing mechanism. To be sure, the system did much better in sugarcane but this was due to special circumstances. According to the study, the success achieved in Deoria District (Uttar Pradesh), where sales of sugarcane through marketing societies went up from 30 to 75 per cent within a decade, is attributable largely to the disposal of sugarcane through sugarcane unions to privately owned sugar factories - a factor extraneous to the cooperative movement. One of the tests of marketing societies is their ability to handle foodgrains. To date, they have not passed the test. The value of foodgrains traded through the cooperatives annually is approximately Rs. 30 crores only, or not quite 3.5 per cent of the total estimated marketed surplus of Rs. 800 crores. 1/

36. Much has been said in the past about the urgent need to link credit with marketing societies. The linkage was to have sustained the growth of both credit and marketing movements, insured effective recovery of loans, and freed the farmers wherever possible from the private trader and the moneylender. All this was based on the theory of the primary societies advancing loans to the members to meet the cultivating expenses of the crops and the marketing societies recovering the loans from the sale proceeds of the members' produce. Whatever the theory, the practice proved to be something else altogether, as indicated in the preceding paragraph, and as supported by some pertinent evidence presented below.

37. With respect to "interlinkings", the Reserve Bank study mentioned above concludes that they "were conspicuous by their absence in practically all (27) districts, including those districts where cooperative marketing has recorded some progress"2/. The causes are important, for they reflect some of the weaknesses of the cooperative movement. Many marketing societies are such in name only 3/; there is no binding obligation on the cultivator to sell his produce through a marketing cooperative though he borrows from credit societies; there is inadequate representation of credit societies on the managing committees of marketing societies and defective by-laws which, as in the credit cooperatives, do not preclude the domination of working societies by cultivator traders and cultivator moneylenders, or just moneylenders. This has given rise to a situation in which many marketing societies are in the

1/ Annual Conference of the Registrars of the Cooperative Societies and the State Ministers of Cooperation. Hyderabad. June 15 - June 20, 1964, page 23. Published by the Ministry of Community Development and Cooperation

2/ Ibid.

3/ Marketing societies often are not engaged in marketing. In 19 out of 27 districts they were engaged in credit activities legitimately entrusted only to credit societies. This was conspicuous even in such cooperative States as Gujarat, Maharashtra, and Punjab. In short, they neglected the purposes for which they were created.

hands of urban-oriented interests and traders, and it is not to their advantage to promote cooperative marketing, and with it, interlocking cooperative credit. The most recent study on the subject in Maharashtra ^{1/} points to such conclusions. Thus, "in 1962-63, only 43 out of 317 primary marketing societies recovered Rs. 67 lakhs ^{2/} for 893 primary societies. This is a negligible achievement compared to the total loans advanced by all the primary societies". This problem was summed up as follows:

"As far as backing of credit with marketing is concerned and recovering through marketing, there has been hardly any progress. Out of the total loan operations of the order of Rs. 250 crores at the primary level in 1962/63, recoveries through marketing have been made only to the extent of about Rs. 6 crores. This in the context of the size of the problem is insignificant... Any further substantial increase in credit operations without a corresponding increase in marketing and recoveries through it is fraught with serious danger."^{3/}

38. Cooperative credit and marketing should be complementary to each other, and the strength or weakness of one affects the other. Where the cooperative structure is weak and cooperatives loans inadequate, the cultivators rely on private credit even for production purposes, and naturally, sell their produce through private traders. The cultivator can be induced to sell through the marketing society, but only if his dependence on the trader is systematically reduced. This is the main, perhaps the sole, reason why a large number of cultivators reported sales through traders even where marketing societies live up to their responsibilities. This, however, is not to imply that where the cooperative credit structure is strong, the development of cooperative marketing is assured automatically. The Reserve Bank studies show that even in strong cooperative-credit districts of Madras and Andhra Pradesh, there are hardly any sales through cooperatives. It appears that although cooperative marketing is accepted on all sides as a desirable goal, it has not attained any significant place in India. There are several reasons for the slow development of cooperative marketing: the absence of cooperatively owned processing facilities; improper location of marketing centers; poor management and lack of business experience; domination by powerful vested interests in and outside of the marketing societies; red tape, as against the informality of dealing with the private trader or moneylender; delays in settlement of accounts until some time after the produce is delivered; lack of the spirit of "cooperation" among the members of the marketing cooperatives; strong competition from the existing private traders; and, finally, the factor that affects adversely the entire cooperative movement - the extreme "bureaucratization" of the staff with little initiative and the efforts to build strong cooperatives not nearly as great as might be expected.

^{1/} Linking of Co-operative Credit With Marketing in Maharashtra, page 3, National Co-operative Union of India, February 1965.

^{2/} Rs. 1 lakh = 100,000 rupees.

^{3/} M. R. Bhide. Integrated Scheme of Rural Credit: An Assessment, page 9. KHADIGRAMODYOG, October, 1964.

39. Securing Credit. Regardless of the size of the loan, getting it is nothing so simple as securing a loan from a moneylender. The procedures at present followed in the sanction, disbursement and repayment of loans are so complicated and tiresome that many borrowers can not receive loans as and when they actually require them. Generally each loan must be approved by the Board of Directors, recommended by the supervisor, and ultimately sanctioned by the central cooperative bank - though not on an individual basis. The time that elapses between the application for and the receipt of a loan may be as long as three months. When the loan is in kind, or partly in kind, such delays seriously impede agricultural production.

40. How well or poorly credit cooperatives work affects short- and medium-term loans. The same may be said of the Land Mortgage Banks with respect to long-term loans. These are the institutions upon which cultivators depend for major investments in land improvement. The role of these banks may be of exceptional importance in raising agricultural production on farm-holdings of considerable size, particularly those which provide the major share of the marketable surplus. These banks are not stinted for financing. Thus, their total resources increased from Rs. 13 crores at the end of the First Plan to Rs. 37 crores at the end of the Second Plan, and Rs. 67 crores at the end of 1962/63; it is estimated their resources will amount to Rs.127 crores by the end of the Third Plan. How well they used them for the purpose intended is another matter. The Reserve Bank study concluded that:

"Except in Gujarat, the loan policy and operating of the majority mortgage banks were completely unrelated to the agricultural production programs of the state governments. Duration of loans was also not linked with the purpose of loans in many states. In all states, loan procedure was long drawnout involving various stages of appraisal and scrutiny with the result that the time lag involved between application and disbursement continued to be over a year in many states."^{1/}

Clearly, though the land mortgage banks have made considerable progress in the size of their operations, including capital available for loans, from the point of view of performance they are not nearly as good as might be expected.

41. Cooperative "Viability". The primary agricultural cooperatives are small, mostly based on a single village, and are managed by a personnel repeatedly charged with ignorance, inefficiency, discrimination, and sloth. In most cases, societies do not have regular establishments or offices. They are not deeply involved in promoting credit as a means to increasing agricultural production despite their apparent activities. In 1962-63 about

^{1/} Trends in development of cooperatives in the context of the Integrated Rural Credit Scheme. An assessment based on the Rural Credit Follow-up Surveys, page 34. Reserve Bank, December 1964.

86,000 societies engaged in the distribution of farm requisites, while many more were distributing also fertilizer, a monopoly offered them on a silver platter, about which more later. There were altogether only 15,000 godowns either owned or hired by the cooperatives, and the average working capital of a society was only Rs. 17,500. In the same year there were altogether only 314 primary societies out of 214,000 with a working capital of more than Rs. 100,000 each. The societies cannot be expected to be effective under these conditions.

42. If cooperatives are to be developed as effective organizations, they must be made economically viable and profitable. What "viability" is or should be was subject to much discussion at the Conference of State Ministers of Cooperation at Hyderabad, in June 1964. The viability criteria of a society runs like this: ability to appoint a full-time paid Secretary or Manager; ability to contribute to statutory and other reserves on a suitable scale; ability to pay a return on share capital and a reasonable interest rate on deposits. In view of the emphasis on small-sized cooperatives, the vast majority of them can't live up to their viability criteria. In a statement on "Viability of Primary Credit Societies" prepared by the Reserve Bank, the following facts should be underscored. The total number of large-sized societies was just under 8,000; if these are added to the total number of viable smaller societies at the end of 1961/62, the grand total may be estimated at only 20,000, and their outstanding loans at about Rs. 120-125 crores, or Rs. 60,000 to 60,250 per society. The remainder, assuming that their number is reduced to 130,000, would have an average annual loan business of Rs. 10,000. Since "there is no prospect of a primary society operating at even a meager profit till a turnover of Rs. 40,000 is reached", their stringent financial condition indicates how far removed they are from "viability".

43. To attain "viability" calls for (a) an outright liquidation of "dormant" societies; (b) amalgamation of very small societies into larger units; (c) strengthening of still other cooperatives which are judged potentially viable; and (d) an array of improvements that spell out good management. At the Hyderabad Conference, June 1966 was given as the date for the completion of the reorganization. As to the possible outcome, at least numerically speaking, Uttar Pradesh may provide a clue. In an effort to translate the Hyderabad recommendations into action, Uttar Pradesh plans to reduce its 50,000 primary credit cooperatives by one-half. The inference is that by the end of 1966, India's 214,000 societies will be drastically reduced in number. It is idle to speculate about the quality of performance to which this might give rise, but this much may be said: the elimination of the practice of creating more and yet more cooperatives within highly constraining conditions is in itself a step in the right direction. It may eventually lead to soundly based and better managed cooperatives, as well as to consideration and action upon these basic, yet unresolved, issues: (a) that cooperatives are there to serve the best interests of their membership; (b) that the wider participation of the membership in the affairs of the cooperatives is essential to their performance, and (c) and above all, that the cooperatives are there as part of the effort to increase agricultural production.

44. Cooperatives and Fertilizer Distribution. Distribution of nitrogenous fertilizers is a monopoly of the cooperatives. They have been instrumental in a much quickened use of fertilizers among the farmers, but their performance is not satisfactory. "It is obvious," said Mr. Subramaniam, Minister of Food and Agriculture, "that even with the best of production of fertilizers in the country, if we have the current inefficiencies of our systems of organization of credit, or of distribution, we will find it extremely difficult to increase the offtake of fertilizers."^{1/} Minister Subramaniam indeed touched on a very weak spot of cooperatives as distributors of fertilizers, and at a time when the demand is rapidly mounting. In the experience of this observer, even the burning of a fertilized crop in the wake of the failure of water supply does not deter a cultivator from trying again, because, as a farmer put it, "We cannot afford not to use chemical fertilizer." Obviously, distribution of fertilizers is a crucial element in agricultural productivity.

45. The "package" districts are by far the best supplied, but in them too, the distribution is far from simple or satisfactory. What is simple is the formal description of the process. A cultivator's requirement is determined according to the "production plan". On this basis, the village block and district requirements for each season are forwarded to the Government of India, which, as demonstrated by experience, has honored them in most cases. The District Cooperative Marketing Federation acts as a wholesaler and moves the stocks to retail depots maintained by local cooperative societies, on the advice of the Director of the "package" district, about a month in advance of the season.

46. The supply line is impeded at several points. Some of the cooperative are not able to lift their quotas fully and on time for lack of cash, or because of the inability of the would-be consumers to pay for the fertilizer in advance of the purchase. To this should be added a lack of an adequate number of sales points; non-availability of fertilizers at the peak season; reluctance of cooperatives to tie up money in newer fertilizers; lack of knowledge as to how the fertilizers can be best used; and the ineffective suggestions to "streamline" the distribution of the product. Much else is involved than mere organizational "streamlining". Primarily, the cooperatives are inefficient monopolists as distributors of nitrogenous fertilizers. Much of the trade will not get away from them however they handle it, and very often they do not distribute it well, especially from the point of view of timely utilization. Related to the quality of performance is the attitude of many cooperative employees; they are certain of being paid for the job and are in no danger of losing their jobs no matter how poorly they do them. Part of the remedy lies in the elimination of the monopoly, as advocated by the Directors of the "package" programs in 1963, a movement which gathered momentum since then.

^{1/} Convocation address of Mr. C. Subramaniam, to the Punjab Agricultural University, March 14, 1965.

Some States are prepared to experiment with private distribution. In the light of the massive agricultural goals of the Fourth Plan, however, it should be the policy of Government to eliminate the monopoly by permitting distribution of fertilizers by cooperative and private organizations alike. Failing the introduction of a competitive element into the picture, the fears expressed by Minister Subramaniam remain valid. More than that, competence in business techniques and managerial skills, so glaringly lacking in the cooperatives, will combine to plague them for years to come - unless they are faced with the necessity to compete in an unrestricted market and held accountable for the results of their performance.

47. The advocacy of private along with cooperative distribution does not mean that the former would automatically prove superior to the latter. A highly conscious taste for profitability combined with fertilizer shortage may result in private distribution being costlier to the farmers. The private dealers, too, must be prepared to extend loans for the purchase of fertilizers; this would be useful to the farmers in one way, but probably costly to them in other ways - whether they were as straight loans or as conditions for sale to the dealer of some of their crop. Finally, it is reasonable to assume that the private dealer will be no improvement on the cooperatives in his treatment of the small farmer. Despite these probable shortcomings, private participation in fertilizer distribution might very well lead to competition that would curb the appetite of the dealers on the one hand, while raising the efficiency of the cooperatives on the other. In theory at least, the cultivator would stand to benefit from these conflicting interests. This, then, is the basis for throwing the market open to all comers for the purchase and sale of nitrogenous fertilizers.

48. Creditworthiness and Crop Loans. One of the vexing problems of India's cooperatives is the matter of creditworthiness, or the standard used by a cooperative in determining who is entitled to credit, how much credit, and who is not to be given any credit at all. So far, and with few exceptions, the cooperatives approach creditworthiness from the point of view of maximum safety, which in practice means insistence on security in the form of land and other tangible assets. This system is as inviting as it is in disregard of the 1958 policy decision of the National Economic Council, which called for loans based on production requirements, familiarly known as "crop loans". Under this system, a cultivator is creditworthy if he can repay his loan from production. If such a loan is indeed for production, it might enhance the economic welfare of the farmer because the crop loan can act as a stimulant to greater agricultural production. The existing credit policy of maximum safety does not adequately meet the credit needs of the farming community, particularly the poorer sections of the village, and notably that of the tenants.

49. The crop loan system is not without its shortcomings. One of them stems from the acceptance of crops yet to be grown as security against loans. In India, the size of the crop is very often a gamble on the monsoon, which is to say, that the crop as a security is also a gamble. Second, crops do not

lend themselves for effective administrative control by a cooperative in the same manner that raw materials and products of an industrial firm do for a commercial bank. Third, the recovery of loans through the sales of the crops or via the cooperatives has not proved to be a practical proposition. The cultivators of India have other, much larger, loan obligations to meet. The fact is that nearly 60-70 per cent of all the farmer-borrowings still come from moneylenders and other private sources, secured mostly for consumer purposes. These interests have a prior claim on the cultivator's produce and most of it is sold through those channels. Last, but not least, there are cooperative members with holdings so small that they are subsistence farmers with nothing or hardly anything to sell. In sum, though the cooperatives' loan system can be (and is) an incentive to greater agricultural production, it is beset by a number of practical difficulties not easily overcome. They explain at least in part the predilection of credit cooperatives for adhering to the practice of extending loans on the basis of land ownership or other tangible assets.

50. Many cooperative members are owner-cultivators who can offer security whatever the basis of a loan. This is not always true of the very small holders and surely not true of tenants; even in the "package" districts, the tenants could get only nominal loans, not at all up to their minimum production requirements, let alone their consumption requirements. What the tenants get is a subsidy handout rather than credit. In Tanjore District (Madras), the cooperatives were compelled to raise a tenant's borrowing power from Rs. 50 to Rs. 250, but even the latter sum is more a response to criticism than a reasonable credit. What the tenant needs is greater income, and credit commensurate with his production needs is the source of greater income, as well as the source of retiring the credit obligation. For these reasons, a liberalization of credit policies to tenants is long overdue. Two suggestions can be made in this connection. Where tenants have acquired occupancy rights, though not legal title, to land, after the introduction of the land reforms, they should be put on an equal footing with owners, provided that the Government enacts legislation making it obligatory upon the cooperatives to accept "occupancy right" as security against a cooperative loan. As to the rest of the tenants who have no occupancy rights in land and no other tangible assets to provide the usual type of security, the Government must induce the cooperatives to give them credit either on personal security or against one or two sureties, preferably the first. Sureties as a basis for loans to tenants are not a novelty; what would be new and useful is the "legalization" of the method and the cooperative's obligation to extend such loans. All of this involves risk-taking, but this is true even of well-secured loans, judging by the 26 per cent of overdues carried by the cooperatives. Besides, with respect to the type of tenants noted above, the risk and possible loss of non-repayment or partial repayment may well be borne by society as a social cost.

51. Whatever the shortcomings of the crop loan system, and despite the prevalence of loans based on "safe" security, the chances are that the crop loan idea will ultimately prevail. In a few States, particularly in the "package" districts, such loans are being granted, even if in difficult

circumstances. The backing of the system by such influential institutions as the Reserve Bank, and the National Economic Council cannot be disregarded indefinitely. The Reserve Bank can exercise the power of the purse and the Council can see to it that its 1958 basic policy decision is not to be honored in the breach only. All of this would mean serving notice on the credit cooperatives that they cannot go on being only moneylenders, though at a reasonable interest rate. To justify their existence they will have to tie their resources to the development of the agricultural economy so as to increase the flow of income and welfare of their membership. The only policy-suggestion worth making is the one often repeated in recent years: the credit cooperatives must gradually eschew the currently pursued easy way of lending money on the basis of maximum security. Instead, and even if it sounds like a cliché, they must reorient themselves to the crop loan system with all that the latter implies. Without minimizing them, with reasonably good management the shortcomings of the crop loan can be overcome if it is indeed linked with greater agricultural production.

52. If the cooperatives are to shift to this new base, they might profitably adopt a new set of criteria. While to the moneylenders and commercial banks, security provides the basis for a loan, for the cooperatives, the loan should provide the basis for security. Unlike private organizations, the cooperative should view a loan transaction not so much in relation to the security offered as to its impact on the productive capacity of the borrower. It follows from this that credit that does not help the member to stabilize or improve his economic condition as a producer should be avoided by the cooperative even if adequate security is offered. Cooperatives cannot neglect security so long as loans must be repaid but they must adopt a flexible view of security requirements. This means that the cooperatives ought to be prepared to take the kind of a risk a commercial lending agency would not take. More concretely, this implies that the basis for a cooperative loan should be the income of the member and not the security he offers. It is recognized that the cultivator will continue to depend on private moneylending agencies for the greater part of his credit; that, in order to safeguard so far as possible against repayment of such loans with cooperative credit, the cooperatives must gear their activities to production credit in kind, rather than try to compete with moneylenders for nonproductive loans. The resources of the cooperatives will be doubled during the Fourth Plan, but they can meet only a modest share of the total consumer credit borrowings of the cultivators. For the foreseeable future, and for reasons already stated, the cooperatives can do no better than concentrate their attention chiefly on production credit.

53. The one fly in the ointment is that this would leave the moneylenders without any competition in the field of consumption or subsistence credit for family living. And this is a most important item for the cultivator. Admitting this, nothing else can be done for a long time to come. Total lending resources being what they are, the cooperatives could continue to extend mixed loans, but that would mean attaining neither purpose. What is at stake is whether they can make the "crop loan" system a living part of greater agricultural productivity. If they cannot, as has been the case so far, they

have not really tried hard enough. But if a renewed trial succeeds, the positive effects might be considerable. If the crop-loan system is a basic and sensible policy, as it appears to be, the cooperatives have no choice (and should have none) but to use their funds for that purpose. Personal observations in the field suggest that most cultivators would rather have cash loans to be used as they please. This is understandable, for they always need cash. But to satisfy that preference for the sake of the immediate needs is to discount the future and more lasting benefits. Weighing one against the other in terms of available resources and lasting results, it seems reasonable to conclude that the moneylenders might well be permitted to go on playing their role, while the cooperatives used their resources to advance agricultural production. If the cooperatives performed well, the role of the moneylenders would be reduced and that of the cooperatives would be increased.

54. Attitudes and Composition of Cooperatives. Ideally, the cooperative must serve the needs of the entire village community, particularly its weakest segments. It has been pointed out that the conditions for securing credit lines preclude their serving this broad function and that many smallholders tenants, agricultural laborers and artisans are in large part kept out of the cooperatives. Admittedly, the wholesale enrollment of indigent groups has its dangers, since it would impose upon the cooperatives all the unresolved problems of the poor. On the other hand, these are the very people who need the assistance of the cooperatives most. But for the time being:

"Experience indicates that the weaker sections of the community, especially agricultural laborers and submarginal cultivators, have not yet benefitted to the extent desirable from existing cooperative institutions. In spite of the outright grants provided for special bad debt reserves of central cooperative banks and primary credit societies, the institutions have not provided adequate loans to the weaker sections. A scheme is, therefore, under consideration which envisages the formation of separate cooperative institutions exclusively for such weaker sections. During the remaining period of the Third Plan, it is proposed to implement the scheme on a pilot basis in approximately 350 community development blocks attached to the community development and cooperative training centres. Outlay on the scheme during the Third Plan will be roughly of the order of Rs. 1 crore. On the basis of the experience gained during this Plan, it is proposed to extend the scheme in the Fourth Five Year Plan and it is envisaged that one such society will be set up in each community development block by the end of the Fourth Plan. The financial provision required will be to the extent of Rs. 15 crores in this regard."^{1/}

^{1/} Reserve Bank of India. Agricultural Credit Department. Central Office. September 30, 1964. The quotation is from Appendix VIII, Cooperative Credit in the Fourth Plan, page 3.

55. The membership of all primary credit societies in 1962-63 represented about 30 per cent of the total rural population. The promoters of the cooperatives wish to see the membership enlarged, and they will undoubtedly succeed. Yet, as will be pointed out later, a large section of the rural population "... views them as an official outside organization; as something alien to the village and not quite dependable"^{1/}. Cheap credit furnished by the cooperatives is a great inducement, but apparently it is not without validity that:

"The average agriculturists do not feel encouraged to join them for three main reasons. First, their rules are intricate and are not easy for ordinary villagers to grasp. Second, in having to deal with them the people are required to sign a large number of papers and this they do not like to do for the fear of getting involved later in legal and administrative complications. Third, money and grain obtained from the societies have to be returned on a specific date, and in this respect the societies are much less accommodating than the village moneylenders."^{2/}

56. It is difficult to describe accurately the composition of the membership by groups; the most that can be said is that it is both as varied as the social and economic structure of the village and just as unequally represented. One finds in it rich and middle class landowners, proportionately fewer tenants and still fewer agricultural laborers and artisans; nor is the membership lacking in traders, rice-millers, moneylenders, local politicians and so on. On its face, it is a "mix" of all the elements of the community; the reality is different. Obtaining any credit and the volume of credit obtained is related to the lines of economic stratification. The wealthier groups take the fullest advantage of what the cooperatives have to offer; they are "insiders" and they control the cooperatives. The power structure of the Indian village being what it is, this is a natural development; and whatever the idealized notion of "cooperation", "village democracy", and "egalitarianism" the fact is that the village imposes its own pattern upon the cooperatives. In general, the cooperatives do not "belong" to the mass of the membership, but to a relatively few individuals who use or abuse them for their own purposes

57. Cooperatives and the Government. This weakness is compounded by yet another reality: the cooperatives also "belong" to the Government in the sense that they are not made up of a free association of persons independently making use of them. The late Prime Minister Nehru made that point clear when he said:

^{1/} S. C. Dube, India's Changing Villages: Human Factors in Community Development, page 66. London, Routledge and Kegan Paul, 1958.

^{2/} Daniel Thorner, Prospects for Cooperation in Indian Agriculture, page 8.

"If it is governmental control, good or bad, it is not cooperation, whatever else it may be... Where people, non-governmental people, have taken a lead, have devoted themselves, the movement has flourished and grown... I dislike the association of government in cooperation except as an agency helping in funds, etc."

Government control and direction of the cooperative movement is a historical legacy. The cooperatives in India owe their origin largely to the initiative of the State, and their development had been made the special responsibility of the Registrar. Although many efforts have been made since Independence to strengthen the non-official voluntary character of the movement, it is still the Department of Cooperation which primarily decides how funds are used, who are to be its members, who are to be given loans and on what basis, in what amounts, etc. The day-to-day working methods are prescribed and supervised by the Department. The Board of Directors of many central and state institutions are nominated by the Government. The Cooperative Law makes the Registrar of Cooperative Societies the repository of all powers. Though the movement has grown in size in many directions, this tight governmental control stultifies the cooperative movement, and in the eyes of many of their members, the cooperatives are not their cooperatives, but primarily instruments of Government.

58. Much has been said about the de-officializing of the cooperatives. For example, there is the injunction offered last year that "the existing laws, rules and procedures relating to cooperative societies should be modified to enable the cooperatives to function freely and organize their work and activities without excessive official interference and red-tapism".^{1/} In the same context, "The movement, if it is to succeed as a popular movement, must increasingly be in the hands of non-officials, who must encourage it in every way. Government officials should be withdrawn from the board of directors of cooperative organizations."^{2/} These well-meant admonitions have brought no change. The states continue their financial assistance through contributions to the share capital, loans for the construction of buildings and subsidies towards managerial expenses. All these are offered by the State Departments of Cooperation directly to the societies - and this involves direct control and supervision. Hence the official character of the cooperatives and, in a great measure, their apartness from the great majority of their membership. This is one more reason why so many of the cooperatives in India continue to languish sixty years after the inception of the movement.

^{1/} Community Development and Cooperation, page 36. Published by Ministry of Community Development and Cooperation, March 1964. The quoted statement is evidently based on one of the recommendations of the National Development Council of November 1958.

^{2/} Ibid, pages 37-38.

59. Profitability of the Cooperatives. The profitability of the cooperatives is not easy to determine, but the summary data presented by the Reserve Bank sheds considerable light on the point and on the performance of the cooperative institutions in general. It appears, for example, that in 1962-63, the State Cooperative Banks earned less than one per cent on a working capital of Rs. 281 crores, and the Central Cooperative Bank just over one per cent on a working capital of Rs. 400 crores. Incomplete data on primary agricultural societies would seem to indicate that, while 47,000 incurred a loss, 138,000 operated at a profit that may be estimated at roughly 2 per cent of their working capital. Of the 321 primary land mortgage banks, 224 operated at a loss. Finally, out of a total of 201,000 societies ^{1/}, 89,000 societies or 44 per cent operated at a loss. The data are far from precise, but it is apparent that even in the case of institutions operating at a profit, the profit is small; that the line separating profitability and loss is rather thin, and that but for the favorable or artificial conditions under which cooperative institutions acquire their working capital, most of them would be operating in the red.

^{1/} These include the following categories: state and central cooperative banks; primary credit agricultural societies; central and primary mortgage banks; primary non-agricultural societies; and non-credit societies.

SUMMARY AND CONCLUSIONS

60. From the preceding discussion a number of conclusions may be drawn. They fall into two categories: the very few cautiously-positive and the very many clearly negative. As to the first, the volume of cooperative credit has steadily and significantly increased during the past decade even though the number of borrowers has declined in the past few years. The quality of the increased volume of credit needs much improvement and there is widespread recognition that this must come about. Targets to expand the number of cooperatives, as distinct from the number of members, are no longer pursued; on the contrary, the aim has been shifted in the direction of fewer but better, more viable, cooperatives. With this change has ended the controversy and confusion created by the policy of one village-one credit cooperative. Poorly though cooperatives distribute nitrogenous fertilizers, they have played an important role in making the farmers aware that fertilizer is a major aid to agricultural productivity. Crop-loan credit is not widely available, but it is available in certain districts of some States. In addition, it is recognized, at least in theory, that the limited practice of extending loans on the basis of crop production rather than tangible assets must ultimately prevail and the chances are that the practice will be gradually extended. Last but not least, although the cooperatives as a whole are not in good shape for reasons given above and for additional reasons summarized below, they are part-and-parcel of the rural landscape of India. Millions of cultivators can no longer do without them. Whatever the limitations of the cooperative movement, it is there to stay. It must not be forgotten that since 1904, under the British but especially since Independence, the view has been advanced that the rural economy can be served best through cooperatives. The consistent reiteration of this idea has not been outweighed by the existence of policies and practices which in no way contributed to the strengthening of the cooperative movement. For these reasons, the efficacy of cooperatives as an aid to rural progress is not questioned by either Indian proponents or Indian critics; the only issue is how to improve their operations.

61. As to the negative aspects of the cooperatives, they are many and varied. The cooperatives of India have not yet evolved an efficient system for the distribution of credit, internal resources more nearly commensurate with their operating needs, a practical concern for the assistance of their weak members, a marketing system of some magnitude, or a cooperative organization closely linked with the promotion of agricultural production. Fertilizer distribution and the crop loans they make are related to agricultural production but the relationship is more accidental than organic. That the cooperatives have been the recipients of a great deal of governmental financial support is understandable, but handing out loans on this basis is no great feat, particularly when this is done with less skill than might be expected after years of practice. The cooperatives have not gone far beyond the function of making loans. It is a truism that cooperatives in Japan and Taiwan, and in the West have added enormously to rural welfare in a variety of ways, including

of course, the stimulation of agricultural production. Cooperatives in India exhibit no such linkage between means and ends. This is demonstrated even when credit is extended for production purposes. In such activities, there needs to be a functioning inter-relationship between the agricultural technicians of the departments of agriculture and the credit societies. In fact, there is little communication between the two in India. The farmer may use a production loan to good advantage, but the cooperative is not sufficiently concerned in making certain that a rise in agricultural production is the ultimate aim of such a loan.

62. Not unrelated to the above is the fact that, by and large, the cooperatives are not the educational institutions which they normally ought to be. One of the basic roles of a cooperative should be that of guiding the cultivator to borrow at the right time, in the right amount, for the right ends and to repay at the right date, as well as to teach him to save so that he may not have to borrow. These activities are barely within the purview of Indian cooperatives. Partly because of their actual services to farmers in general, and particularly because of the type of service they give to the economic needs of the low-income cultivators, they are a far cry from the original purpose of the cooperative movement in India. In summary, the cooperatives have failed to advance the progress of what is known as the "Integrated Rural Credit Scheme": (a) credit based on crop production rather than security of land or other tangible assets; (b) linking credit with cooperative marketing of the produce of the cultivator; and (c) application of the viability criteria and all that stems from these pre-conditions of strengthening the cooperatives. Only one of the elements of the integrated scheme, state participation in cooperative share capital, has been realized. This was not difficult to attain, for Union and State subsidies are the lifeblood of the cooperative movement in India. According to the Planning Commission, the key to the success of the cooperatives in the Fourth Plan is "efficient management of business, the quality of the cooperative leadership and administrative arrangements for supervision of cooperative activities at each level"^{1/}. These are all tall orders, and the question of questions is how they are to be realized.

63. The problem is the more serious because during the Fourth Plan the cooperatives will have much greater funds to dispose of. By the end of the Fourth Plan (1970-71) their loan resources are expected to rise from Rs. 440 crores in 1962/63 to Rs. 650 crores, of which Rs. 560 will cover short-term loans and Rs. 90 million, medium. As in the past, the principal contributor will be the Reserve Bank which will raise its advances to about Rs. 300 crores, or 45 per cent of the total. It is probably correct to say that the Bank's contribution might be further increased if the anticipated reorganization of the cooperative structure demanded greater external financing. In addition, the State Bank, which in the past has contributed little to cooperative financing, is coming into the picture; its contribution to the credit cooperatives under the Fourth Plan is estimated by the Reserve Bank at about Rs. 40 crores.

^{1/} Memorandum on the Fourth Five Year Plan, page 35.

64. External Cooperative Difficulties. Not all the difficulties experienced by the cooperatives can be laid at their door. The point can be illustrated in two ways. To begin with, they are called upon to serve an agricultural economy with serious weaknesses and disabilities. Consider the case of smallholdings. A well-known Indian economist, Dr. A.M. Khusro, put it this way:

"Farm management data of recent years lend support to the belief that under average conditions, a farm of less than 7.5 acres size - which incidentally is the average size of farm in India - can neither provide adequate family consumption, nor support a pair of bullocks, nor adequately employ family labor or bullock labor of a single pair, nor, indeed, deliver surpluses for purposes of industrialization. Such a farm is quite seriously disabled and if full value were imputed to human and bullock labor, it turns out to be a non-profit making venture."^{1/}

This statement deals with farmers working owned land. Even on farms of this size the cultivator presents a number of problems to the cooperative before and particularly after a bad crop year, with non-recovery of loans as a top consequence.

65. Perhaps even more to the point is the case of farmers averaging 5 acres, or what Dr. Khusro calls "the limit of economic feasibility under Indian conditions of today". What is bad in the cases cited above becomes worse in these instances. The area occupied by this group is only 12 per cent of the total farm acreage. "But to say this," Dr. Khusro remarks, "is not to forget the problem of 56 per cent of farm families clustering on a mere 12 per cent of acreage and facing disabilities of small consumption, small employment and small surplus."^{2/} The explosive character of these facts should not keep us here. What is relevant is that these facts go far toward explaining why millions of cultivators do not meet their loan obligations; above all, it points to an important cause of the strain imposed on the cooperatives for reasons other than their poor judgment in making loans. Moneylenders prosper on the poverty of the cultivators, cooperatives do not. Any assessment of the cooperatives must, therefore, take into consideration the state of the country's agricultural economy in general and the position in it of vast groups of farmers. In a real sense, and while not explaining everything, the cooperatives are to a large extent victims of a situation not of their making. They cannot revise the inequitable land structure of India, and, at best, they can, and only occasionally, alleviate its worst features.

66. There is another factor which cooperatives as cooperatives cannot but have difficulty in overcoming. Having lavished praise on rural development in the Punjab, "where its people are unmatched for vigor, enterprise and

^{1/} A.M. Khusro, Rural Development, page 13. Unpublished, mimeographed paper.

^{2/} Ibid.

endurance, Sir Malcolm Darling concludes his book on this sentence: "But one thing is lacking - communal harmony. Never were communal rivalries so bitter or so bloodstained. Yet, as I wrote 22 years ago, if they cannot be replaced by a healthy national patriotism... everything else will be in vain."^{1/} The point of this lament is that these divisive forces have found their way into the cooperatives and have tended to weaken their effectiveness, often making a mockery of the very term "cooperation".

67. Darling repeated the quoted lines in 1947; in 1965, Mr. C. Subramaniam Minister of Food and Agriculture, returned to the same theme ^{2/}, though not drawing so sharp a conclusion. He affirms that the cooperatives are the only answer "to the ills that afflict our agriculture and our society", and wonders at the same time at the reluctance of farmers to avail themselves of cooperative credit. "Is it," he questions, "because the cooperative orthodoxy elevated the ritual of form filling as more important than the objective of easy credit?", and then proceeds to give his answer:

"one of the main defects of our cooperatives arises from the social background against which they operate. They inherited much of factiousness and prejudices that are a part of our rural scene."

Here again the responsibility for contentious village groups cannot be charged to the cooperatives as such. After all, the inner workings of an Indian village long antedate the Indian cooperatives.

68. Internal Cooperative Difficulties. The views of Sir Malcolm Darling and Mr. Subramaniam have much validity, but they tell only part of the story. The unsatisfactory performance of the majority of the cooperatives is not only a result of the historical process of social and economic relationships within the village community, or of the proprietary relationship of Indian cultivators to the land. There is a great deal in the performance which is man-made by people outside of the village, occupying official positions of responsibility at the Center, State, District, Block and often in the village itself. This is not to overlook the doings within the village as they affect the cooperatives, but it would be wrong to overlook these other forces as important causes of mismanagement and misdirection. What emerges is that the indifferent work of the cooperatives cannot be attributed to cooperation per se, but in a large measure to cooperative decision-makers and administrators. All this still prevails and the question to be raised is: What of the immediate future, particularly in relation to the Fourth Plan, the doubling of the lending resources during that period, and the raising of membership to about 45 million families? Will the cooperatives be in a position to demonstrate that with much greater funds at their disposal their performance will register a considerable improvement over the past?

^{1/} Sir Malcolm Darling. Op.cit. page 264.

^{2/} Mr. C. Subramaniam. Op. cit.

69. As the cooperatives are constituted now, the answer is "no". In offering this conclusion we take note of the official statement made in late 1964 that "It is ... obvious that things cannot go on as at present, and special efforts have to be made to strengthen the credit structure and improve its performance."^{1/} Nor are we unaware of the prescriptions of the National Economic Council of 1958, and of those of V. L. Mehta Committee of 1959; of 70 recommendations made by Sir Malcolm Darling in 1957; and of the 132 recommendations by the Ministry of Community Development and Cooperation, spelled out in early 1964, on how to improve the work of the cooperatives ^{2/}. The last group constitutes the elements of a cooperative Action Program in districts selected for intensive agricultural development, but the distinction between the cooperatives in these districts and those of other districts is not great, although the former are financially the favored ones. The fact is that even if the number of cooperatives are reduced to 150,000, only 20,000 - 30,000 among them will be truly viable; most of the rest will be greatly in need of propping up for years to come. Provisions are made to this effect in the form of eight types of subsidies, ranging from subsidies to the potentially viable primary credit societies through primary land mortgage banks. The total requirements of this kind are estimated at Rs. 52.5 crores (Table V). Since this is the easiest and common form of assistance, the funds will be made available. But in the future as in the past, additional funds cannot be decisive.

70. Action Program - What it Might Do. Since so many sound prescriptions have already been made which are well known to the appropriate officials of the Indian Government, it is not our intention to offer still more prescriptions which would be to pretend to omniscience which we do not have. Instead, it seems more useful to suggest that the recommendations, useful as they may be, cannot possibly be carried out simultaneously even in a favorable setting. Not all of them are of equal importance, and a half a dozen or so of the "more equal" recommendations should be selected for priority treatment, centering on what is crucial in reorganization, viability, crop loans, and limiting the training of personnel for areas most essential to the work of the cooperatives. For our part, we merely wish to underscore two recommendations which seem to us the most immediately significant. These will be presented shortly, but in the meantime it is well to mention briefly the substance of the Action Program. Its recommendations cover every facet of the problems facing the cooperatives and they make clear that indeed "things cannot be allowed to go on as at present". They are too voluminous to be cited at great length and we limit ourselves to the following sample:

^{1/} Reserve Bank of India. Agricultural Credit Department. Central Office. September 30, 1964. The quotation is from Appendix VIII on "Cooperative Credit in the Fourth Plan", page 1.

^{2/} An Outline of Action Programme for Cooperative Credit in the District Selected for Intensive Agricultural Development. Published by the National Cooperative Development Corporation, June 1964.

"The potentially viable societies should be identified and efforts should be concentrated on their attaining a viable status within a specified period. Societies not likely to be viable should be taken up for reorganization through amalgamation... Most of the defunct societies will need to be liquidated... They (key bank personnel) should be qualified and should also be oriented to the new policies... Financial assistance on a suitable scale should be offered by Government to enable the banks which do not already have such staff to make the deficiency... Training programmes will also have to be organized for the supervisory staff... Recovery-mindedness has to be developed at all levels so that remissness in timely repayment of dues is not only not encouraged but is regarded as a dis-service to the community... Every effort should be made to build up the agricultural credit stabilization fund at all levels... State Governments will have to ensure that the proposed measures are implemented by the marketing societies ... Present loaning policies and procedure followed by cooperatives in most States will need to be changed so as to make them production-oriented... Each primary agricultural society should be in position to have an office and employ a full-time manager if it is to operate the loaning policies and deposit schemes recommended above... (and finally) Organic links between the village primaries and the marketing societies should be built up so that the managements of the village societies actively help in providing sufficient business for the marketing societies."1/

71. The jargon of the recommendations aside, it is hard to quarrel with the 132 items on what should be done. But two points in this regard are not clear: (a) how they are going to be carried out, and (b) who is going to carry them out. In a large measure the answer to (a) is contingent on (b), and it is fair to infer that many of the same inexperienced and/or unwilling hands will be called upon to change their attitudes and habits of work, which would be quite an undertaking even if it could be managed. If we are to judge by the fate of most recommendations generated in the past, the cooperatives are not easily given to implementation of sound advice, and especially when given in such large dosages. Hence the concentration on a few meaningful priorities with the best talent available. This can no longer be delayed without the most serious consequences to the cooperative movement as a whole. This is fully understood in important cooperative circles in India, and one need not be overly optimistic to assume that what failed in the past cannot succeed in the future if the application and concentration of effort are made in full measure.

1/ An Outline of Action Programme for Cooperative Credit in the District Selected for Intensive Agricultural Development. Published by the National Cooperative Development Corporation, June 1964.

72. Of all the recommendations, by far the most important one refers to the elimination of the tens of thousands of weak or dormant primary credit societies. These are largely little more than paper cooperatives and are millstones around the neck of the cooperative movement, created under the impact of "targetism" and very dubious assumptions. Unless this is dealt with as the first order of business, most other recommendations will probably fall by the wayside. Their continued existence can be insured only by continuous scatteration of scarce resources. Past experience with this kind of assistance given to weak or dormant primary societies leads to this conclusion:

73. Attempts to reorganize such cooperatives are not new, nor are the pitfalls in the way of such efforts. In the past, the majority of states have not taken this kind of program revitalization seriously. At best, revitalization of cooperatives meant to the states the maintenance of regular offices and the employment of full-time paid secretaries by these cooperatives, rather than the volume of their business turnover, accumulation of reserves, profitability, and, in sum, good management. On this score we may quote the following:

"Most of the States laid down some criteria for societies to be taken up for revitalization. But in many cases, revitalization of societies was interpreted to amount to a little more than the appointment of a clerk in each society with the help of the subsidy provided by the Government. There was no systematic program for liquidation of hopelessly bad societies... So revitalization schemes, in effect, were little more than provision of managerial subsidy... Thus, except perhaps in a few districts, neither was the scheme of revitalization of small size societies properly formulated nor was the program satisfactorily implemented."^{1/}

74. There are other reasons why the pruning of the cooperatives of their deadwood will not be easy through the normal process of an executive order issued from the top to be carried out by the lower echelons. It is not a simple operation. The members of cooperatives prefer to have the organizations located in their own villages. Viability criteria are of no great moment to them; they would rather have their cooperative as it is in its familiar surroundings, instead of travelling even a few miles to a stronger, but unfamiliar, cooperative. This is particularly true of the few who dominate the cooperatives, something they could not do in a strange environment. Moreover, among the opponents must be counted many cooperative officials. They, too, have a vested interest in the primary societies and are loath to give up whatever privileges they enjoy in the existing setting.

75. Perhaps conscious of these obstacles, the Reserve Bank is apparently prepared to apply "strong arm" methods through the exercise of the power of the purse. The Bank never liked the principle of "one village-one cooperative".

^{1/} Trends in developments of cooperatives in the context of the Integrated Rural Credit Scheme. An assessment based on the Rural Credit Follow-up Studies, page 16.

Now that the Government has finally recognized the futility of the 1958 decision that gave rise to the above formula, the Reserve Bank may apply the following measures to cooperatives refusing to toe the line:

- (a) No Government share capital contribution.
- (b) No managerial subsidies.
- (c) No assistance for godowns, and, as a final and telling measure,
- (d) No extension of credit to recalcitrant primary societies.

The impression of this observer carried away from two visits to the Reserve Bank in Bombay is that the Bank is prepared to apply these measures. Whether it will actually do so is far from certain. Action will not depend only upon the Bank or Center's say so; much will depend upon the attitude of the States which, in the final analysis, have a lot to do with the resolution of this issue, as with much else falling within their prerogatives.

76. The preceding paragraph implies speedy reorganization and, if need be, through "strong arm" methods. It is tempting to urge this approach, but there is a weakness in it that must not be overlooked. Because of the rapid organization of the primary credit societies, their foundations are not solid, and without strong primary units effective organization and administration at higher levels could not be created. A somewhat similar mistake in reverse might be committed by tearing them down too quickly. The reason is simple: it is easier to build new cooperatives with ample Government assistance than rebuild, reorganize or eliminate existing ones. The history of the cooperative movement in India is replete with instances of how extremely difficult - and costly - is an effort of this sort. The past prewar reorganizations show that the path of cooperation can be strewn with wreckage. It is apparent, therefore, that the retreat from "one village-one cooperative" calls for a most sustained and carefully thought-out effort, both in the light of the overt or covert opposition to the elimination of a large number of cooperatives, and the urgent need of rebuilding the cooperatives as soundy as many of them were unsoundly created.

77. In all the discussions on this subject it is indicated that the number of cooperatives is to be reduced from 215,000 - 211,000 to about 150,000. If this were done, it would be a considerable achievement; yet, even with a doubling of lending resources, the process of creating financially sound cooperatives would have to go deeper than that; their numbers would have to be reduced to no more than about 100,000. On that basis, and allowing the 20,000 or more well-functioning cooperatives a lending capacity of Rs. 200 crores, the remaining 80,000 would have an average business turnover of Rs. 53,000 per year, or close to the estimated minimum of Rs. 60,000. If and when this comes about, it will be demonstrated that an action program in the cooperative field is possible, and that a cooperative is not a sacred cow merely because it is called cooperative. The most important outcome might be that with a

concentration rather than a dispersal of human and material resources, many of the recommendations of the Action Program might gradually find their application. But all of this, we repeat, is contingent on the essential priority - the ridding of the cooperative movement of the so-called cooperatives created in a rush for more of the same, and at the expense of service and quality.

78. Judging by the order in which the recommendations for the Action Program are arranged, reduction in the number of cooperatives is given top priority. A year has gone by since the announcement was made and it is too early to judge the shape of things to come, let alone its fulfillment. There is evidence that some states, notably Uttar Pradesh, are considering ways and means of translating this priority into action. The Indian cooperative leadership knows that there is a wide gap between thought and action. And there is no point in laboring the obvious, namely, that only a determined leadership at all levels can see to it that the gap is eliminated. All we can do is express the hope that this time, the Action Program will justify its name, and that a basis will be created for action on the long list of additional measures bearing on more effective performance by the cooperatives.

79. Cooperatives and Competition. Most of the advice on improving the work of cooperative centers on the need to rejuvenate them through some form of reorganization. This, as already observed, may assume the form of eliminating the dormant cooperatives, consolidating the remaining ones, improving management, increasing financial resources, applying the crop loan system, serving the needs of the "underprivileged" membership, improving the training of the staff, etc. Not all of this is new, but the statements may be useful as guide lines, and the organization in particular may be a basis for much more. The immediate problem is implementation, and we believe that the effective way of approaching it is through emphasis on a second recommendation made neither by Sir Malcolm Darling nor by the Action Program. We have in mind competition as an aid to raising the quality of the work of the cooperatives in a "natural" way.

80. In the evaluation of cooperatives above we discussed the advisability of eliminating the nitrogenous fertilizer distribution monopoly of the cooperatives and the likelihood of its taking place. If the monopoly position of the cooperatives were eliminated and if they wished to continue in the business they would have to compete on merit; they or the private distributors would win or lose depending upon their respective performance. It is not a foregone conclusion that the cooperatives would always come out second best, just as it is not certain that the private dealers would always come out on the top. There is a strong possibility, however, that in the process of competition the cooperatives would be compelled to pull up their socks, forget the book of rules, and grow up as they struggle for a share of the business.

81. Could not roughly the same idea be applied to the distribution of credit and with results possibly similar to those envisioned in the case of the distribution of fertilizer? Would not such a change obviate a good number of the recommendations with their familiar "dos" or "dents" which so often escape application? Sometime back a mere suggestion of this kind would have met with

total rejection in cooperative circles of India on the ground that they would undermine the very existence of cooperation. The same reaction is to be expected now, but it is a sign of the times that the proposal was made publicly this year by the Union Minister of Food and Agriculture. In the address already mentioned, Mr. Subramaniam sounded the note of competition as a means of bolstering up the cooperative credit system. Said he:

"I believe that this (the factiousness and prejudices in the cooperatives) cannot be corrected unless we bring the winds of competition into the field of credit. I would, therefore, strongly urge that we should throw open agricultural credit to competing institutions. What I have in mind, in particular, is to examine the feasibility of setting up an agricultural bank which will extend rural credit. The two or more types of institutions co-existing and contending for supremacy on the strength of their own efficiency will definitely improve matters. Where the cooperatives are efficient and play an effective role we would not try to intervene. Where, however, over the years, the cooperative movement is weak, there seems to be no other way but to set up parallel institutions which are able to rise above the plane of internal contradictions that afflict our cooperatives."

82. Mr. Subramaniam had in mind selective competition introduced by a new institution or institutions financed by the Government. That would have to be the case because no private commercial bank would on its own risk providing rural credit based on crop loans where overdues are almost inevitable; where a large part of the clientele consists of small farmers, not to speak of tenant-farmers and of agricultural workers with virtually no stake in land at all, that is to say, of rural people with no security worth mentioning. Under such conditions, the bypassing of certain credit societies can be effected only by another governmental banking-credit entity in areas where the regular credit societies are particularly poor performers.

83. The Reserve Bank of India has given the matter some thought. If translated into action, this proposal would result in rural credit banks at the block level, with trained staffs to handle credit operations. The Reserve Bank would finance these rural banks and administer them, providing credit on the basis of crop loans. Such a scheme is one alternative to crop production credit in addition to and in competition with established primary credit societies. The scheme does not involve the abolition of the existing credit agencies, but a weeding out of the hopeless ones and an enhancement of the quality of the work of others through the challenge of competition. The scheme is far from fully developed even on paper, but the germ of an idea is there - another credit facility that might raise the level of performance of all credit societies and eliminate the notorious laggards by giving the farmers a chance to shop for institutional credit.

84. This scheme is not a substitute for the already discussed reorganization of the existing cooperatives or for the host of recommendations, which, if implemented, would have salutary effects on management and the efficiency of organization of the cooperatives. On the other hand, considering the failure of somewhat similar attempts in the past, it is important to introduce the competitive element in the distribution credit - even if it is based on government financing and management. One can readily foresee the great reluctance of official cooperators to accept and act upon this idea. But if these fears should prove groundless, and if the Reserve Bank is the policy-maker in addition to being the financier and manager of the rural credit-banks, the effort in this new direction is decidedly worth making. The wind of competition even under government auspices is surely preferable to a situation in which recommendations, however sound, do not seem to be carried out. Implementation of the recommendations can be best furthered and speeded up by a measure designed to stimulate the cooperatives into doing the things they were always supposed to do but have not always done.

Table I^{1/}

<u>Source of Credit</u>	<u>Per Cent</u>
Government	3.3
Cooperatives	3.1
 Private	
Relatives	14.2
Landlords	1.5
Agriculturist Moneylenders	24.9
Professional Moneylenders	44.8
Traders and Commission Agents	5.5
Commercial Banks	0.9
Others	1.8
 Total	 100.0

1/ This is taken from "Some Observations on Indian Agricultural Policy", International Bank for Reconstruction and Development, September 1, 1964.

Source: Reserve Bank of India, All India Rural Credit Survey, Volume 11, page 167.

Table II: WORKING CAPITAL OF STATE COOPERATIVE BANKS

(Crores of rupees)				
Item	30 June 1962		30 June 1963	
	Amount	Percentage to working capital	Amount	Percentage to working capital
1. Working Capital	256.09	100.0	281.51	100.0
2. Owned Funds	28.86	11.3	31.95	11.3
3. Deposits	81.44	31.8	97.31	34.6
4. Borrowings from:				
(a) Government	7.19	2.8	10.08	3.6
(b) Reserve Bank	131.72	51.4	138.87	49.3
(c) Other Sources	6.88	2.7	3.30	1.2

Source: Statistical Statements relating to the Co-operative Movement in India 1962-63, Reserve Bank of India, p. ii.

Table III

State	Total Borrowings of Cultivator Households in 1961-62		Loans and Advances by Primary Agricultural Credit Societies and Land Mortgage Banks During 1961-62		Column 3 as Percentage of Column 1
	For the State As a Whole (Rs in crores)	Per cultivator Household Reporting Borrowing in the State (Rs)	For the State as a Whole (Rs in crore)	Per Borrowing Member (Rs)	
	1	2	3	4	5
1. Maharashtra	82.5	435	45.61	347	55.2
2. Gujarat	70.9	611	25.90	446	36.5
3. Madras	100.9	517	31.53	232	31.2
4. Orissa	13.1	266	3.59	233	27.4
5. Punjab	59.4	573	16.11	235	27.1
6. Madhya Pradesh	73.9	339	18.56	270	25.1
7. Uttar Pradesh	102.4	320	38.03	175	23.4
8. Andhra Pradesh	110.0	468	24.68	298	22.4
9. Mysore	80.2	517	15.05	238	18.7
10. Jammu & Kashmir	7.5	296	1.33	63	17.7
11. Kerala	41.1	320	6.62	152	16.1
12. West Bengal	48.1	258	4.71	170	9.8
13. Assam	5.5	174	0.35	95	6.4
14. Rajasthan	105.4	523	5.52	205	5.2
15. Bihar	60.9	246	2.46	83	4.0
All-India	1029.1	393	240.89	242	23.4

(Source: Provisional estimates, All-India Rural Debt and Investment Survey 1961-62 for Columns 1 and 2 and Statistical Statements Relating to the Co-operative Movement in India 1961-62 for Columns 3 and 4).

Table IV: PROGRESS OF AGRICULTURAL CREDIT SOCIETIES

Sl. No.	Item	1950/51	1955/56	1960/61	1962/63 (provi- sional)	1965/66 (target)
1.	Number (lakhs)	1.05	1.60	2.12	2.14	2.30
2.	Percentage villages covered	N.A.	N.A.	75	81	100
3.	Membership (lakhs)	44.08	77.91	170.41	226.68	370.00
4.	Percentage agricultural population covered	8	15	33	31	60
5.	Average membership per society (No.)	45	49	80	106	161
6.	Share capital (Rs.crores)	7.61	16.80	57.75	80.15	118.00
7.	Deposits (Rs. crores)	4.28	7.04	14.59	22.02	41.25
8.	Loans advanced (Rs. crores)	22.90	49.62	202.75	251.90	530.00
9.	Average share capital per society (Rs)	727	1,051	2,722	3,753	5,130
10.	Average loan advanced per society (Rs)	408	441	688	1,031	1,793
11.	Average loan advanced per society (Rs)	1,983	3,102	9,558	11,953	23,043
12.	Average share capital per member (Rs)	17	22	34	35	32
13.	Average loan advanced per member (Rs)	44	64	119	111	143
14.	Overdues as per cent of outstanding loans	22	25	20	26	--

Table V: PROPORTION OF MEMBERS WHO BORROW TO TOTAL
MEMBERS OF THE AGRICULTURAL CREDIT SOCIETIES

(Percent)

	<u>1959-60</u>	<u>1960-61</u>	<u>1961-62</u>	<u>1962-63</u>
1. Jammu & Kashmir	94.84	95.00	85.71	N.A.
2. Maharashtra	60.94	66.99	67.08	64.0
3. Madhya Pradesh	67.93	72.47	67.18	61.0
4. Gujarat	70.00	64.94	64.91	59.0
5. Punjab	55.41	43.37	48.06	56.0
6. Uttar Pradesh	87.13	59.00	54.57	53.0
7. Andhra Pradesh	52.13	49.30	52.54	N.A.
8. Kerala	43.65	47.89	44.26	44.0
9. West Bengal	37.65	39.58	44.50	42.0
10. Mysore	51.04	52.00	46.47	40.0
11. Orissa	35.23	40.09	35.32	37.0
12. Madras	52.71	47.93	46.63	36.0
13. Rajasthan	52.04	42.49	34.89	33.0
14. Bihar	23.94	25.91	27.67	33.0
15. Assam	N.A.	35.20	12.75	9.0
All-India	59.14	52.63	50.89	47.0

Source: Performance of Cooperative Credit. Appendix IX, p. 14. Reserve
Bank of India.

Table VI: SPECIAL FINANCIAL PROVISION REQUIRED
UNDER THE FOURTH PLAN

(Rs. in crores)

(a) Subsidy to primary societies which are potentially viable and which have a definite programme of improvement.	Rs. 12.00
(b) Managerial subsidy to Central Cooperative Banks for appointment of key personnel.	Rs. 0.40
(c) Subsidy to Central Banks for opening 800 branches.	Rs. 0.80
(d) Subsidy for appointment of additional supervisory staff	Rs. 1.50
(e) Stabilisation fund	Rs. 5.00
(f) Relief and Guarantee Fund	Rs. 5.00
(g) <u>Weaker Sections</u>	
(i) Special scheme	Rs. 15.00
(ii) Outright grants	Rs. 12.00
(h) Assistance to primary land mortgage banks (500)	Rs. 0.80
TOTAL	Rs. 52.50

Source: Reserve Bank of India, Agricultural Credit Department, Appendix VIII, Co-Operative Credit in the Fourth Plan.

APPENDIX XII

ADMINISTRATION, PANCHAYATS AND AGRICULTURAL DEVELOPMENT

Wolf Ladejinsky

APPENDIX XII

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APPENDIX XII

ADMINISTRATION, PANCHAYATS AND AGRICULTURAL DEVELOPMENT

I. ADMINISTRATION

A. Introduction

1. One of the major problems of any agency involved in agricultural development in India is organization and administration. The implementation of agricultural programs takes place at many levels - Center, State, District, Block and Village - and a great deal depends on an effective relationship between different levels, and, at the same level, among different agencies. Securing effective administration under these circumstances has proved difficult in all previous Plans, and the anticipated vast expansion of agricultural programs under the Fourth Plan will not reduce the size of the administrative problem. To deal with that problem, it is necessary to determine who is to do what, when and how, what patterns of political and administrative power are to be established and where within the various power centers the ultimate responsibility for decision-making is to lie. Failing such determinations, no amount of good planning nor giving the highest financial priority to agriculture can result in major attainments. Agricultural productivity is not only a function of investment but depends also on the quality of the human resources applied, the legislative measures adopted to create a proper institutional framework, and, of course, the administrative mechanism developed to implement agricultural policies. Some of the necessary elements are present, but, even in the case of these, not in a measure required to meet successfully India's requirements in agriculture nor, for that matter, in fields other than agriculture.

2. The existing Indian Administrative System (IAS) was largely molded by a small elite group, formerly a part of the Indian Civil Service (ICS) which was trained and organized under British rule. The influence of this elite which holds the commanding positions and determines administrative policies has not been altogether beneficial. To be sure, the group served India well during the critical early years of India's Independence. But the system it created proved not to be so well adapted to meeting the country's new developmental needs which differ vastly from the problems of the pre-Five-Year Plan. In the later period:

"The responsibilities assumed by Government at various levels, the range and diversity of the social, economic and political aims to be realized, the expectations of the people, the limited time and the meagre resources at our disposal and the added burdens which the struggle

for development throws upon the nation are all new phenomena, without parallel in the earlier period".^{1/}

Faced with rapidly changing problems, programs and needs, "to a large extent, in administration we have been employing old tools to do new jobs"^{2/}. Many of the tools are not fitted for the new tasks; hence, the accumulation of evidence that one of the most serious stumbling blocks in the path of India's economic progress is an administrative system which administers poorly and which is largely dependent on "coordination" without possessing the authority and responsibility needed for effective coordination; evidence, too, is not lacking that the numerous attempts at reform have so far been mainly invitations to further reform. The reasons for this state of affairs are many; one of its results which comes nearest to defining the problem is, as we shall show below, the rather narrow meaning attached to the term "administration" in India.

3. "Good" administration has so far eluded India in her efforts to achieve a steady and reasonably high rate of agricultural productivity. Indian officials and agricultural specialists are aware of this, and reams of informative and analytical reports have been written on the subject^{3/}. These studies and other thinking about the question do not suffer from a lack of sound recommendations as to what should be done in various spheres. All of them together have not, however, produced significant improvements, judging from the continued search for the key to better organization and administration. In the latest report in the series, prepared by a prestigious group of sixteen Government officials, representing nine States and including the Ministers of Agriculture and

^{1/}Dr. Tarlok Singh, Approaches to Administrative Reform. Yohana, October 13, 1963.

^{2/}Ibid.

^{3/}For a representative sample see the following: the 1958 report of the Agricultural Administration Committee, of the Ministry of Food and Agriculture; V.T. Krishnamachari's Report on Indian and State Administrative Services and Problems of District Administration, Planning Commission, 1962; Report of the Agricultural Administration Committee, Raja S. Singh, Chairman, MFA, 1958; High Level Committee, Ministry of Food and Agriculture. Dr. P. Deshmukh, Chairman, 1961; Organization of the Government of India, Indian Institute of Public Administration, 1958; Paul H. Appleby's Public Administration in India, 1953; Also, Paul H. Appleby's Re-examination of India's Administrative System, 1956; Administration and Economic Development in India, edited by R. Braibanti and J. Spengler, 1963; Government of India, W.R. Natu, Public Administration and Economic Planning, 1954, Gokale Institute of Politics and Economics, Poona. For a most illuminating account of the administration of India under the British rule see Phillip Woodruff's The Men Who Ruled India, Volumes I and II, published by Jonathan Cape, paperback edition, 1963. Also, a number of States addressed themselves to the same problem, and in this connection, N.B. Desai, Report on the Administrative Survey of the Surat District, Bombay, 1958.

Community Development, we find the following categorical and authoritative statement:

"The Central Teams on Agricultural Production that visited the States during April-June 1963, came to the conclusion that unsatisfactory administrative and organization arrangement was, by far, the most important single factor responsible for inadequate progress in the sphere of agricultural production".^{1/}

The nagging feeling that all is not well in this field has reached the highest level of Government. On the eve of Republic Day^{2/}, in an address to the Indian people, President Radhakrishnan also raised this question: "Has our rural administrative organization been effective enough to transmit to the peasants the possibilities and potentialities of scientific farming?" In raising the question, the President provided his own commentary on one of the basic causes of lagging agricultural production.

4. Mr. Subramaniam, Minister of Food and Agriculture, raised the issue even more directly. "The main problem," he said, "that confronts the Indian agricultural innovator in India is not so much the lack of technical knowledge but the lack of an administrative and organizational apparatus in the country to create a suitable climate for agricultural change." In his opinion, there was enough knowledge in the country to make possible a higher rate of agricultural productivity than the present. If India has failed to achieve that higher rate, he reiterates, it "is mainly because it is not sufficient to have knowledge, it is also necessary to have an organization and a channel for transmitting this knowledge to the countryside."^{3/}

5. The views cited leave no doubt that the problem of agricultural administration is very serious, and that agricultural development will be retarded until a solution is found. Since a solution depends on the elimination of the shortcomings of the administrative system, one must begin by identifying them.

B. Shortcomings in Agricultural Administration

6. The shortcomings are serious enough to be dealt with in some detail. It is generally recognized that at the heart of the administrative problem is the diffusion, division and sharing of responsibilities among a number of agencies and groups of persons concerned with inter-related and inter-dependent aspects of the same programs or problems. In the

^{1/}Report of the Working Group on Inter-Departmental and Institutional Coordination for Agricultural Production, page 1. Ministry of Food and Agriculture, 1963, New Delhi. Italics added.

^{2/}January 25, 1965.

^{3/}All the quotations in this paragraph are from the Convocation Address, March 14, 1965, by Mr. C. Subramaniam, Union Minister of Food and Agriculture, to the Punjab Agricultural University.

field of agricultural production, at the Center, the following Ministries play important roles: Food and Agriculture; Community Development and Cooperation; Irrigation and Power; Commerce and Industry which controls fertilizer production; Finance which controls foreign exchange for fertilizer imports and has a weighty say in financial allocations in general; the Home Ministry which controls District Collectors and other IAS officers on development assignments; and, of course, the Planning Commission. To this list of major separate and distinct partners should be added the Ministries of Health and Education which have non-agricultural development concerns in the countryside. In addition, there is the Agricultural Production Board at the Center^{1/}. It takes little imagination to see that the difficulties in agricultural development are compounded where several different ministries are concerned, where multiple and diverse technical factors come into common focus, and where the ultimate "consumers" are untold millions of farmers.

7. On the State level, responsibility is just as fragmented because of the compartmentalization of activities usually carried on by a "Department of Agriculture". In effect, there are separate departments for agriculture, animal husbandry, cooperatives, forestry, fisheries, irrigation, extension service and so forth, in most cases administered by an IAS generalist, and with technical and administrative officials often belonging to cadres of different organizations. With the coming of Community Development, there have been added teams of district and block technicians who function respectively under Collectors and Block Development Officers and theoretically take administrative and policy guidance from these general administrators but who take their technical guidance (as well as receiving career advancement) from their parent departments. The Village Level Workers (VLWs) are under the administrative control of the Block Development Officers (BDOs), but are supposed to take technical advice from the technical departments, especially the Department of Agriculture. In short, technical specialists are imperfectly meshed into the system, and the result is a system of multiple controls. The technical services are in a particularly disadvantageous position. Although agricultural leadership ought to spring from this service, only a few make the grade. In almost a tone of despair, the Report of the Agricultural Administration Committee sums up this problem thus:

"The chances of leadership in agricultural services in our country are limited, if not non-existent. It is human nature to aspire to assume leadership and come to the top. This is as it should be if we are to continue to progress. However, this is the destiny of only a few; but in a welfare and democratic State, the opportunities of becoming leaders should be equal for all. In our administrative setup, which now forms the base and skein of welfare

^{1/}The Agricultural Production Board was created two years ago by the National Development Council. The Board is chaired by the Minister of Food and Agriculture; the other members are the Planning Commission and the Ministries of Community Development and Cooperation and Irrigation and Power. The Board meets monthly and its main purpose is to help expedite Agricultural Programs in the States.

administration in the country, the dice are loaded against the technical services. The mantle of leadership right from block, tehsil^{1/}, district to the State level, in the present context of things, will invariably be donned by the members of administrative services. There are hardly any opportunities for technical services to work and aspire for this leadership, except when it may please Providence to choose a solitary individual here and there. It will be a negation of social justice to confine leadership in the field of agricultural development to any one class or group of individuals."^{2/}

8. Other difficulties also deserve mention. The administrative structures of the Center and the States have undergone numerous changes since Independence, but the traditional system has remained basically unchanged, in spite of India's stress on economic development in general and agricultural development in particular. According to Dr. Douglas Enslinger:

"India has the know-how for food production. The crux of the problem now is one of gearing up its administration to get the food produced... The tendency appears strong to keep to the traditional emphasis on regulatory activities rather than active field development, or, to put it bluntly, to concentrate on paper rather than on people... these attitudes result largely from the fact that the administration of agricultural programs, in its machinery and procedures, is simply not keyed to development. It is keyed to regulatory functions... It has little or no experience in mounting an impact program involving all of India's villages in accomplishing a specified result. This is in no sense a condemnation or criticism of individuals - rather of a system, an administrative point of view which in pre-Independence days may have been acceptable but is wholly inadequate in the urgent, indeed emergency needs of the nation today."^{3/}

The rather sharp critique was accompanied by a number of recommendations, but followed by hardly any modifications and, consequently, with no visible results.

^{1/} An administrative unit covering a number of blocks.

^{2/} Report of the Agricultural Administration Committee, 1958. Quoting Dr. Enslinger, page 18.

^{3/} Ibid., page 5.

9. The Center-State administrative relationship is itself a source of difficulty, for it lacks organic unity. The division of power and responsibility between the Center and the States provided for by the Indian Constitution does **not** give the Union Government enough authority to insure adequate performance by the States. Agriculture is one of the fields in which the States have complete constitutional authority. The Union Government attempts to mitigate this through "advisory influence". **Through** the resources for development which the Center makes available, a measure of direction can be given to the scheme of development in the States, but, in the main, the power of the purse has not been used to its fullest advantage, and administration and implementation are firmly in the hands of the States. According to the same authoritative source, the States have not done well in these as in other respects, in the case of agrarian reform, mainly for social and political reasons, but, in general, mainly because the Center does **not** have the power and has **not** used indirect means to get the States to carry out centrally determined policies affecting the welfare of all of the people. The food crisis of 1964 and the roles played by the Center and the States respectively, provides a good, if disturbing, example of this point. Scarcity of food, which even in the days of strong British rule brought out the latent weaknesses in the Center's authority, now dangerously sets State against State and States against the Center.

10. Coordination is the core of the effort of fitting together the various elements that constitute what is broadly known as administration. It is supposed to be effected by Coordination Committees in the Center, States and down to the Block Development Offices. In some States, these committees are called "Working Groups", but whatever their names, they are all part of the coordination mechanism. The Report of the Agricultural Administration Committee referred to in paragraph 7 finds no fault with the mechanism in principle, but concedes that in practice it is a "knotty problem... that there is little evidence of systematic follow-up action," and that "what is more urgently required is a coordination of mind and action." The Report also calls attention to the burden of the inordinate number of papers that have to be prepared and tartly remarks that "coordination does not mean multiplicity of reports." After enumerating the principal shortcomings from which the coordination mechanism suffers, the Report concludes that "These Committees should concentrate on the complicated problems which are awaiting solution, and to make them effective, sufficient power and authority should be vested in them."^{1/} The underscoring points to the heart of the difficulty which is the fact that most of the coordinators do not have the authority and responsibility which is essential for good administration.

^{1/} Report of the Agricultural Administration Committee, 1958; all quotations from pages 32-33. Italics added.

11. Other factors also contribute to State administrative problems. To name but a few: the vast and rapid expansion of Community Development; State political patronage pressures; shortage of funds; the something less than high quality of personnel in some grades; the low status accorded to rural work and the reluctance of officials of many ranks to take responsibility and make decisions; and finally the existence of appointed or hereditary village or district officials who have no political responsibility but who exercise great power over the local population. These and other less important factors have combined to create wide gaps between administration and implementation, as well as an administrative system which is complicated, cumbersome and fragmented. With the creation of the Panchayats,^{1/} which will be discussed in greater detail below, and the special role accorded them as village development agencies, there is bound to be even greater administrative confusion for a long time to come.

12. Another source of difficulty is what is generally recognized as the archaic character of the administrative system, which may be suited to a bygone age but is ill-suited for anything approaching a dynamic rural development program. The Center has more than its share of this archaism, but the degree of archaism probably increases as one moves down the line to the States, Districts, Blocks and villages. Clearly, procedures which were good enough for a Collector administering a district before Independence when his job consisted of the collection of revenue and the maintenance of law and order are quite inadequate today with the development of Plans, of a Community Development Program, of the panchayats and their many schemes for revitalizing rural India. The result has been (and still is) that:

"Whereas the Collectorate was calculated to operate effectively when the pace of movement and change was slow and relatively haphazard, the new developmental effort was dynamic, irregular in motion, often nervous, and called for hand-tailored, snappy attention, and thus was not adapted to the routines of file noting."^{2/}

13. The problems inherent in the system may be illustrated by a couple of examples of totally different dimensions. The first type of problem should be relatively simple to resolve, but the following account indicates that that is not the case:

^{1/} Local self-government units, charged with many functions, the principal being developmental.

^{2/} Richard L. Park, Administrative Coordination and Economic Development in the Districts of India, page 142, in "Administration and Economic Development in India," edited by R. Braibanti and J. Spengler, 1963.

"A detailed survey of an auction sale of a plot of land measuring 50x60 feet and valued at Rs. 35 as part of a government's programme to consolidate scattered holdings, shows that the necessary correspondence to and from the village officers to the district collector had to pass 50 stages before final disposal; it had to be referred to the district collector three times and it took 2.5 years before the applicant could take possession of the land applied for."^{1/}

14. The second example is an account of the administrative machine of one of the very best and successful "package districts," that of West Godavari of Andhra Pradesh. The period was 1963, but not much has changed since then. As described in a written statement by the Director of District "package program", the administrative mechanism is as follows:

"The program is guided from the Center. At the Center the Extension Commissioner in the Ministry of Food and Agriculture assisted by the Program Director in the Directorate of Extension, is in charge of the program and works in close cooperation with the Ministry of Community Development, Panchayati Raj and Cooperation. A batch of technical experts from the Ford Foundation helps in the formulation of plans and program activity. The Center is linked with the State Department of Agriculture which is responsible for the implementation of the program in the districts. The District Collector is made responsible for implementing the program, assisted by a project officer of the cadre of a Deputy Director of Agriculture. The Project Officer has the assistance at the District level of Four Subject Matter Specialists on Farm Management, Agronomy, Plant Protection Soil Science; a Seed Development Officer and a Deputy Registrar of Cooperative Societies. At the block level, besides the normal staff under Agriculture and Cooperation, 2 Agricultural Extension officers, one Cooperative Extension Officer and 10 Village Level Workers are posted under the scheme. In each block there are 4 cooperative supervisors appointed by the Cooperative Central Bank with the subsidy given under the program for arranging the timely disbursement of credit and recovery of loans through credit societies. The whole scheme at district level is under Zila Parishad and at the block it is under the Panchayat Samitis. The Project Officer acts as the Chief Executive Officer of the Zila Parishad for implementing the program. For the purpose of evaluation, there is an Evaluation Officer with 2 Assistants and 9 Fieldmen and they work under the control of the Director of the Bureau of Economics and Statistics, Andhra Pradesh. At the State level, there is a State Coordination Committee to go into the program and progress of the work besides pursuing action on items that require attention

^{1/} N.B. Desai, Report on the Administrative Survey of the Surat District, pages 126-127. Bombay, 1953.

at higher level i.e. either with State or Central Governments. The Joint Director of Agriculture (extension) is the State Level Project Officer."^{1/}

15. The description shows that all the diverse elements are supposed to fall in their places, but the organization is obviously not simple. Even the careful and able supplementary explanations provided by the Director could not quite make it clear. It takes much poring over a large organization chart, following lines going this way and that, to arrive at an understanding of how the views of State, District and Block find their way to the level which counts most - the village level. It is obviously a very complex mechanism, with wheels within wheels, workable only with extremely careful handling and cooperation from all concerned. If these conditions exist, and this is evidently rare, according to the Working Group Report, then it is possible for the many cooks from the different schools of training and with the different aptitudes apparent in all districts, to be kept in line by the chefs, the "package" Directors and the District Collectors - provided that they too are exceptional in caliber and devote most of their time to development work. In West Godavari, it was possible to overcome the handicaps of the organizational scheme, mainly because of the exceptional quality of the cultivators, the greater than normal availability of inputs due to Ford Foundation assistance, and the unusual competence of the Director of the "package" program. But West Godavari is an exception rather than the rule.

C. Recent Attempts at Reform in Agricultural Administration

16. In view of the administrative problems incompletely described above, it was natural for Government to seek for new and better ways of dealing with a rapidly shifting developmental scene. One of the corrective measures taken was a gradual change in the traditional role of the Collector. He is no longer responsible only for collecting revenue and maintaining law and order; he is now above all responsible for the economic development of a district. This is a salutary change because the Collector has been traditionally the leading official in the district and his new and additional duties reflect the importance of rural development. But even the best of the Collectors, like one we observed recently in Tanjore District (Madras), is hardly in a position to struggle through the morass of a system inherited from the past and expanded in accordance with Parkinson's law of bureaucratic proliferation. Not all the technicians from the various State government departments are subordinate to him or even coordinate with him, and in rural development,

^{1/} Wolf Ladejinsky. Observations on the Package Program. Mimeographed.

these "uncoordinated" representatives of a large number of departments on which they depend for their status and advancement have proved to be less than helpful in bringing about the effective implementation of agricultural programs. The Collector himself belongs to the Revenue Service and is responsible to that service, but he wears many different hats and is thus also more or less responsible to a number of additional ministries or agencies which have tasks to perform in his district.

17. For the most recent attempt to revamp the agricultural administrative system from the State level down, one must go back to the Working Group Report referred to in paragraph 3. The Report makes thirty-four recommendations; they are too lengthy to give in full, but the following is a level-by-level summary of this effort to fashion a more effective system.

18. The principal recommendations for the State level are as follows: the existing State Coordinating Committee presided over by the Chief Minister should be given the right to implement decisions "without any interdepartmental references," in order to make possible quick action an "integrated" Department of Agriculture and Rural Development should be created under a senior official with the title of Secretary-Commissioner for Agricultural Production and Rural Development to overcome the separatism of the various branches of agriculture. This official should be assigned the duties formerly carried on by the Secretary in charge of Planning, and thus become the key man responsible for administration and planning on the State level. It is not clear, however, why the head of the new post created by the reshuffle should be more effective than the former Development Commissioner.

19. The main recommendations for the District level are the following. The District Collector should act as Chairman of the Agricultural Production Committee with responsibility for the administration and coordination of all departments concerned with agricultural production. The secretary of this Committee, a Class I officer, should be given the title of District Agricultural Production Officer and be responsible to the Collector for all day-to-day activities bearing on agriculture. Yet, "State Heads of Departments will continue to deal directly with their district officers as at present, but in matters relating to the work of Agricultural Production Committee, they should communicate through the District Collector." Obviously divided responsibility is not altogether to be eliminated.

20. On the Block level, the principal innovation recommended is the establishment of an Agricultural Production Committee for the Panchayat Samitis (union of the village panchayats of a block). This Committee is to be administered by the Block Development Officer, but, on the technical side, he is to seek "prior approval of the concerned Technical District Officers." Here, too, dualism reappears, for the extension officers remain part of the personnel of the respective technical departments of the district or State, with all that that relationship implies. Somewhat

similar is the recommended relationship of the BDO to the Secretary of the District Agricultural Production Committee. A new feature is the recommendation that the BDO should concern himself with agricultural activities only; other useful suggestions are that 50 per cent of the BDO jobs should be filled from the ranks of extension officers, and that "the development staff working at the District level and below should not be transferred at least for three years except in very special circumstances."

21. On the village level, the principal old-new recommendations are that the VLWs should devote all their time to agricultural production and its allied programs; that their number should be increased, especially in intensive development program areas; that their now heavy assignment of "amenity" activities should be entrusted to a functionary employed by the village panchayats; and that each panchayat should organize a Village Agricultural Production Committee, chaired by the President of a Panchayat and managed by the VLW in his new and additional capacity as secretary of the Committee.

22. Such are the principal recommendations of the Working Group Report. According to available information most - although not all - of the States received them favorably, and are expected to put them into effect. It is clearly too early for any judgment on the effects of the proposals. Nevertheless, a few comments may be ventured. The outstanding features of the Report are its stress on administrative arrangements as they impinge on agricultural production and its recommendation that the Agricultural Production Committee should be made the heart of these arrangements at all levels. These emphases make clear the usefulness of the Group's approach. What is blurred, however, is the expected linkage among the Committees. In theory at least, the recommended arrangements would provide for more integration, particularly on the State level; at the lower levels the recommendations would not lead to a complete elimination of fragmentation of responsibilities. The Report introduces the career idea and a limitation of job transfers, both essential to insure the much-needed organizational stability in the countryside. On the other hand, it treats the panchayats as viable village development bodies, which in the great majority of cases they are not, at least at present. By basing production functions upon these bodies, it may well be mistaking shadow for substance. Finally, the Report accepts the official view of the VLW, i.e. what he is expected to do in a village, rather than what he actually does or is capable of doing. In addition, the Report takes less account than it should of the need for upgrading the quality of the developmental staff at all levels. Only time can tell whether the recommendations will bring about a "single organizational unit" in which authority, decision and responsibility over basic factors of production are clearly defined and acted upon. It should be noted, however, that the Working Group Report is a recognition of the urgent need for new ways to achieve more effective development and implementation of farm programs.

D. Indian Administration in General

23. It is generally agreed that organizational shortcomings, both those commented on above and others not commented upon, are agricultural disincentives. Some of the correctives discussed in the preceding pages and others outlined in the paper dealing with Community Development and Agricultural Development may not be without value. Yet we believe that their effectiveness would be limited even if they were satisfactorily applied. That is because the specific deficiencies that have been commented upon represent only certain - and perhaps not the most important - of the inadequacies of the entire administrative system which adversely affect India's efforts in most fields of development. No improvement in rural administration is possible without an improvement in the administration of the economy in general. It is desirable, therefore, to examine the problem as a whole.

24. Certainly the first three Plans displayed a keen and compelling interest in administration, and so will undoubtedly the Fourth Plan. The First Plan emphasized the importance of scientific, technical and administrative personnel, and of such matters as proper selection, responsibility, decision-making, incentives, human relations in the staff, etc. The Second Plan spoke frankly about the need for facing administrative responsibilities more critically, stressed the importance of rapid and efficient methods of work, of the delegation of power as a function of maximizing responsibility, and generally strongly restated the position taken in the First Plan. The Third Plan, drawing on the experience of the first two, reiterated in no uncertain terms the essentials of good administration: clear-cut policies; delegation of authority and no interference with decisions made by those given such authority; qualitative and quantitative improvement in personnel; an up-grading of middle-grade personnel; in addition it made a number of other suggestions for bettering the administrative system. In particular it inveighed against a broad sharing of responsibility and emphasized the need "to make the administration much more action-oriented"^{1/} because if this approach is not followed "these measures may not yield enough results"^{2/}.

25. The Fourth Plan will be faced with administrative tasks of much greater magnitude and complexity than those of the first three, and the Memorandum on the Fourth Five-Year Plan stresses the administrative needs at all levels, particularly at the "Area Level", i.e. in regions, districts, blocks "or even village". Recognizing the "inherently difficult administrative problems", the Memorandum makes the obviously sensible but general recommendation: "At each level there has to be a clear frame for administrative action, responsibilities and mutual relationships have to be defined, satisfactory communication established and a great deal of day-to-day coordination achieved". These recommendations are not new and, as in the past, the Plan does not spell

^{1/}Third Five-Year Plan, page 278.

^{2/}Ibid., page 278; for more detailed information see pages 276-290.

out how, for instance, "a clear frame for administrative action" is to be created, or how clear-cut responsibilities are to be assigned, accepted and lived up to. This is not intended as a criticism of the Planning Commission nor, for that matter, of other organizations which have gone beyond general recommendations but with not very different results. The fact is that, as the following paragraphs make clear, the problem is one of attitudes of mind and concepts derived from traditional administrative arrangements, which are extremely difficult to change.

26. Some critics call particular attention to one of the baneful manifestations of these attitudes, the "oligarchy of rules", which, in agriculture, stands in the way of development. Minister Subramaniam referred approvingly to a statement by one of his friends that:

"It is the three books that stand between India and progress - by that he means the Fundamental Rules, the Financial Rules and Account Codes - which are quoted by the administrator to the innovator; I know very often the administrator is himself an innovator. But under the present dispensation, even the bold among the administrators cannot introduce the necessary changes for, as has been remarked, one-half of their mind is trained to advise why the things which the other half wants, cannot be done".

27. In searching for other clues as to why the problems of administration are so intractable, Mr. Subramaniam referred to an "acute observer of the India scene" whose puzzlement was this: India possesses some of the best administrators extant but collectively "they have a great capacity for stopping things". He offered as a possible explanation, "our contemplative inheritance or the heritage of years of colonial rule in which people were rewarded not for doing things but for not doing them". That may or may not account for the difficulty. There can be no doubt, however, of the accuracy of the following statement by the Minister which repeats a point already made but seems nevertheless worth quoting:

"Our society, in recent years, particularly has developed a knack of not entrusting decisions to one individual but of dissipating responsibility and power in the faceless mass of committees. It is obvious that this situation has to change if we want to really make progress"^{1/}.

28. Minister Subramaniam's concern is shared by many in India, and the Planning Commission's repeated emphasis on the need for better administration has not been without its influence in bringing into being an array of organizations and institutions concerned with the problem of administration. An incomplete but formidable enough list drawn from a study by our Indian student^{2/} is as follows: the Office of Management at

^{1/}All quotations in this and preceding paragraph are from Mr. Subramaniam's convocation address.

^{2/}Based on Ajit M. Banerjee's Fifteen Years of Administrative Reform - An Over View. "The Indian Journal of Public Administration" July-September 1963.

the Center and in the States; the Program Evaluation Organization in the Planning Commission; a Special Reorganization Unit in the Ministry of Finance "to make an objective review of the organizations and personnel strength of the various Ministries"; the Institute of Public Administration; the Administrative Vigilance Division at the Ministry of Home Affairs; a new scheme for the Central Secretariat Clerical Service; the Committee on Plan Projects by the National Development Council; the Administrative Staff College for the training of senior members of Government and industry; the National Institute of Community Development and National Productivity Council; the National Academy for Administration; the Central Directorate of Manpower; the Central Economic and Statistical Services. Mention should be made also of the Second Central Pay Commission with its significant findings and recommendations.

29. These and other unnamed organizations were created as part of the many attempts to reform the country's administrative arrangements. They are concerned with virtually all aspects of that problem. Mr. Banerjee from whose study the list was drawn does not deny the usefulness of some of the reforms but ends on a pessimistic note, because there has not been:

"... generally any basic change in the forms of organization or methods of work; the administrative reforms have mostly been in the nature of ad hoc improvements of the existing structure and practices in response to the need of them. While the Government has theoretically conceded the necessity for flexibility in organizational patterns and methods of work, in actual practice new organization forms and work methods have still to be evolved."^{1/}

Where the attempted reforms are particularly weak,

"... is in the area of human motivation and human relations, which are the functions of several factors such as monetary and non-monetary incentives, morale and the network of human interaction and influence."^{2/}

30. Another student of these problems, Mr. Tarlok Singh, for a number of reasons drawn from his own vast experience and close association with the Planning Commission, writes that:

"Experience in the past two years has tended to strengthen the view that in its structure, methods of functioning and capacity to meet requirements of rapid development, the administration has not been able to catch up, and the distance may be increasing rather than diminishing."^{2/}

^{1/}Ajit M. Banerjee's Fifteen Years of Administrative Reform - An Over View.

^{2/}"The Indian Journal of Public Administration" July-September 1963, page 451. Italics added.

^{2/}Ibid., page 455.

^{3/}Dr. Tarlok Singh, Administrative Assumptions in the Five-Year Plans. "The Indian Journal of Public Administration", page 336. July-September 1963.

He lists the numerous measures taken since Independence to prevent such a slippage, and sets forth the basic premises laid down for an efficient administrative system.

- "(1) On essential matters, functioning within the common framework of an agreed national plan, the Centre and the States, within their respective spheres, would each try to maintain and improve the standards of efficiency, integrity and service in day to day administration;
- (2) According to the practice of parliamentary democracy, the political executive will give special attention to the formulation of principles and policy in each field of activity, leaving it to the public services to administer and implement them impartially and to tender advice always without fear or favour;
- (3) The higher ranks of the public service would help establish the right structure of administration and tradition of service and provide a high degree of administrative leadership in improving the administration;
- (4) The requisite technical and administrative cadres will be built up for the efficient execution of various tasks and the responsible authorities may be left free to discharge their functions with the necessary care and thoroughness;
- (5) Both in planning and in implementation, there will be effective integration between different activities along with enforcement of specific responsibility on the part of each agency; and
- (6) The combination of representative democracy and non-political public services should be carried from the national and State levels to the district and lower levels, so that local resources and leadership could be mobilised to the maximum extent possible in the service of economic and social development."

31. Dr. Singh points out that these principles have not stood the test of experience, and questions whether the character of administrative problems differs from the assumptions underlying these premises, whether the application of the principles is faulty, or whether "the administrative tasks to be carried out (were) being correctly assessed for size and range or were they being underestimated?" He not only raises questions, but makes a very significant point in considering the ever-present problem of Center-State policy relations. In his view, the two political units have "a broad national approach in most fields, even in those which may fall strictly within the States", but "this common

outlook has not been carried sufficiently into the area of administrative machinery and implementation". The form assumed by the Center-State administrative deliberations "has been essentially advisory". In other words, if we understand correctly the meaning which Dr. Singh attaches to the term "advisory", in the long run, the States administer and implement the laws without consideration for whether their procedures represent good administration. In another analysis of the problem by Dr. Singh (Approach to Administrative Reform) he states that "The heart of the matter is, firstly, to provide a framework for responsible initiative at each level, within each agency and on the part of each individual and, secondly, to ensure that those to whom responsibility is assigned shall be accountable for the results". Without trying at this point to explain the causes of the "misbehavior" of Indian administration, this comment of Dr. Singh indicates correctly the nature of its shortcomings.

E. A Basic Criticism of Indian Administration

32. Although much thought and effort have been given since Independence to the attainment of a reasonably well-functioning administrative system, the results are spotty. The shortcomings are well-known and the Indians themselves have been unsparing in voicing them. The causes of these shortcomings are less well-known or appreciated, and they call for a detailed consideration. One of them, to repeat, is the meaning widely attached to the term "administration". What is the character of "administration" in general and agricultural administration in particular?

33. More than a hint is provided in contrast often drawn between "an administration mentally and organizationally conditioned by law and order outlook" and one "infused with growthmanship in the best sense of the term". ^{1/} But the riddle of the wide gap between needs recognized as urgent and the actions taken to meet them is dealt with best in the pioneering study of "Public Administration in India" by Paul Appleby, published in 1953, the first of its kind to be made after Independence, and his succeeding study published in 1956. Though years old, these studies have lost none of their timeliness, for although no one in official India concerned with administration disagrees with his analysis nor the conclusions he draws from it, by and large they remain mainly blueprints for action.

34. Mr. Appleby's studies deserve detailed presentation, for they provide, it seems to us, the answer to the question raised above. In his opinion the crux of the difficulty lay in this:

"The word 'administration' itself is often very narrowly conceived
'If anything arises in respect of administration' usually means

^{1/} P.S. Lokanathan. Administration of Economic Regulations in India, page 10
"Administrative Reforms Since Independence." Supplement to the Indian
Journal of Public Administration, July-September 1963.

anything involving money or personnel matters. There is no accepted terminology to cover the administration of programmes which are the important end-product of all public administration, no concentration of attention or structure on 'action administration' or 'programme administration', and the civil servants of highest rank are more concerned with 'co-ordination' than with 'administration' in action terms. At the level of administrative officials co-ordination should mean the managerial relating of the parts of an administrative whole, pointed emphatically toward action decision-making. Here it is a watered-down term connoting a diffusion of responsibility in an extremely cumbersome process of cross-reference and consultation, and, at the Centre, without real powers of enforcing on the States the co-ordinative decision, if there is one."^{1/}

35. He called attention to numerous contributory factors, but stressed particularly the still persistent lack of distinction in India between "line" and "staff" functions. The latter refer to planning, logistics, financial and personnel controls, legal review of administrative proposals, etc. As against the staff organizations, the "line" organizations are supposed to engage in carrying out programs, administering them with a view to obtaining the objectives of the programs. These terms, he noted, have limited applicability in India, the exceptions being defense, external affairs, collection of taxes and a few others. With these out of the picture:

"... there is no true and complete administration in the central government. There is, instead, the diluted and incomplete coordination not involving exercise of real, formal and continuing power of control, an excess of cross references and conference antecedent to action, and a delaying of action responsibilities nominally lodged elsewhere."^{2/}

36. These views were not modified in Mr. Appleby's follow-up study Re-Examination of India's Administrative System, published in 1956. He noted in that study that:

"... by reliance on excessive procedures of cross-reference there has been built an extraordinary evasion of individual responsibility and a system whereby everybody is responsible for everything before anything is done. In large and complex actions no one and no system can be really responsible for many of the actions before they are actions, even though responsible after the fact."^{3/}

^{1/}Paul H. Appleby, Public Administration in India, page 17, New Delhi, 1953.

^{2/}Ibid., page 17.

^{3/}Op. cit., page 6.

As to the States:

"... the same pattern of diffused responsibility is the general rule, modified in some by the simple fact of having a smaller number of ministries, ..." ^{1/}

and that:

"In both the Center and the States, prevailing structures ... provide chiefly for co-ordination rather than administration." ^{2/}

37. Although, in the view of the author, administration and delegation of power are inseparable:

"An important aspect of the existing structure ... is an astonishing lack of capacity and/or facilities for administrative delegation. This is attributable in part to the extraordinary width of the gaps in quality, prestige and pay between the higher levels, in part to a somewhat consequential lack of qualified intermediate personnel, in part to a lack of sufficient attention to the art of delegation, and in considerable part to a structure that discourages and damages delegation." ^{3/}

38. These are serious strictures, but Mr. Appleby made clear that the failure of a system which worked fairly well before Independence and does not work well when "development" is the battle cry of Independent India cannot be attributed to the poor caliber of the top level Indian officialdom. On the contrary, he paid high tribute to the ability of these officials and to what they fashioned in the early years of Independence. He attributed the system's faults to the less happy inheritance of mental attitudes, work habits, responsibility limited at best, and the indisposition of Indian personnel to grasp large-scale opportunities. He contended that "Personnel administration here has too much feudalistic heritage", which in turn explains its extreme rank and class consciousness, its jealousies, the undue effort to perpetuate its "position", and the high barriers separating rank from rank. While there is too much of all of these elements, there is "too little consciousness of membership in 'the' public service, and too little consciousness turning on particular job responsibilities". But, since "Rank has no proper significance except as it identifies responsibilities, here responsibility tends to become diluted and diffused, rank exaggerated". ^{4/}

^{1/}Paul H. Appleby, Public Administration in India, page 18, New Delhi, 1953

^{2/}Ibid., page 10.

^{3/}Ibid., pages 18-19.

^{4/}Ibid., all quotations in this paragraph are from pages 10 and 11.

39. Appleby discussed a number of other features of the country's public service "making the jobs of ministries and secretaries (top-ranking civil service men) less and less manageable,"^{1/} and observed that "the dominance of several rather historically conventional notions which, though of petty character and of no validity whatever in my view, largely determine important features of the administrative reality"^{2/}. The character of the inhibiting heritage has already been noted, and the detailed summary presented by the author need not be given. What should be underscored, however, is that the prevailing type of "administration" bears particularly hard on agricultural development, because it involves 60 million or so "decision-makers" and a number of very difficult problems: those of securing maximum results from existing agricultural technologies and of changing these technologies gradually; the problems of rural education and health; those of providing and distributing seeds, fertilizer and other inputs; the very complex but vital problem of providing irrigation, necessitating decisions about the most useful types of irrigation facilities and how to raise funds for them; and finally the problem of the incentives to be provided to farmers to achieve an increase in agricultural production. Not surprisingly, the author concluded that "It is in the agricultural area, therefore, that the problem of administration is most difficult and most acute"^{3/}. That conclusion applies whatever the character of the agricultural policy the Government decides to carry out.

40. In his first study, Mr. Appleby was more concerned with pointing out the changes needed in the basic principles and practices of the Indian administrative system than with suggesting detailed changes. In the second, he proposed a number of specific suggestions to correct the most glaring deficiencies in practice. There is no need to repeat these suggestions here; they are well-known to top official administrators in India. It seems useful, however, to summarize the issues raised, because such a discussion, in itself, would indicate the type of corrective action needed and is particularly germane to the expanding and complicated developmental process about to be ushered in by the Fourth Plan. Although Mr. Appleby's study was written in 1956, current practices validate his views, which are moreover supported by practically all students of public administration in India and have never been challenged.

41. As in his earlier study, Mr. Appleby called attention to the fact, "that great achievements of recent years have been made beyond the capacity of the Indian administrative system". This result was achieved by overworking key personnel, a practice that cannot be continued indefinitely. He saw in this very success "a monumental failure to develop in subordinates the capacity needed to accept and use delegated responsibilities ... there is too much sharing of action before the fact, and too little review in appropriate terms focusing on accomplishment

^{1/}Paul H. Appleby, Public Administration in India, page 19, New Delhi, 1953.

^{2/}Ibid., page 19.

^{3/}Ibid., page 40.

after the fact ... the existing pattern of job-titles and the rigidities of class, service, cadre, and grade pay differentials are all confusing and, therefore, hostile to rapid growth".

42. In a section of the Report called "An Indictment of Present Procedures", Mr. Appleby wrote that "specific decisions incident to effectuation of purpose in India are reviewed by too many persons in too many organs of the government in too detailed, too repetitive and too negative terms ... An extraordinary and dismaying concern for the 'rights' of members of the Secretariat Service and other services to advance in rank enforces early retirement and puts high barriers in the way of re-employment of a competent retired civil servant ..." The services have grown greatly in numbers yet, "there is too much unwillingness to recruit in sufficient numbers, even for present needs, and too little realization that future needs of far more serious dimensions cannot be met in the future except by additional recruitment now. ... near the heart of the problem is a failure to realize and understand that the Government of India - Center, State, municipal and rural - must grow greatly and rapidly in size ... Where here the thinking is big about social objectives, the thinking is small about the government whose great increase in size is essential to the effectuation of the great purpose ... Attitude toward pay for public service as an aspect of small savings is a serious deterrent to the dynamic and truly efficient government which is crucially imperative here". And on the same subject, "There are too definite and inadequate notions about entrance salaries so that many qualified persons are not attracted to the public service".

43. As to the meaning of "administration" he wrote: "The very word 'administration' here is too narrowly conceived as relating to financial and personnel administration ... Administration is basically the conduct of programs important to citizens and the nation; fiscal administration and personnel administration are merely aspects of the general management of a variety of programs." In a lengthy discussion of the role of Parliament in relation to administration, he returned to the delegation of powers, and concluded that "Parliament is a chief citadel of opposition to delegation of powers, the need for which is the worst shortcoming of Indian administration. Parliament's reluctance to delegate its powers in detail, as it is essential to do if Parliamentary powers are to be important and positive, discourages Ministers too from delegating their powers, discourages Secretaries from delegating their powers, and Managing Directors from delegating their powers."^{1/}

F. Conclusion

44. Despite Mr. Appleby's criticisms of the Indian administrative system, he expressed the view nevertheless, that India (along with

^{1/}All quotations in paragraphs 41-43 are from Paul Appleby's Re-Examination of India's Administrative System, 1956.

Great Britain) "has the best body of generalist civil servants in the world."^{1/} Other students of the problem share this view. One such comment is: "India's principal inheritance from the British period was an administrative service of unrivaled integrity and efficiency."^{2/} Although there are also more tempered reactions,^{3/} there seems to be general agreement that India has had and continues to have a group of administrators of a very high caliber, that has been subjected to a number of stern tests and has passed them with distinction. It is not difficult to recall India on the eve of Independence facing the task of laying the groundwork for political, social and economic development. A few examples will suffice to indicate how the national leadership and the administrative service rose to the demands placed upon them: how they wrote the constitution; in a statesmanlike way, incorporated the 500 or more Princely States into one country; helped to absorb the severe shock and consequences of Partition, and, of course, produced with no outside assistance the First Plan which set India on the path of reconstruction. All of these achievements must be regarded as outstanding. And regardless of the deficiencies and shortcomings, India's overall attainments in industry and agriculture since Independence also justify high praise.

45. In the years since then, the enlarged administrative Service has not starved India for a staff which continues to show outstanding qualities. Moreover, although they, too, have had important accomplishments, many of them have looked critically at their handiwork, as economic development brought a succession of new problems. But the critical look has not necessarily meant corrective action, for personnel of the elite Service is imbued with cultural traditionalism which stretches back to the days before Independence and before the British rule, nearly overlaid with inhibitions which will be discussed in paragraph 100. In a sense their attitude, even if in a different context, resembles the traditionalism of the village itself. And just as the village is undergoing a change under the impact of new ideas, so are some Indian civil servants, including a number in administrative positions.

46. The difficulty is, however, not in the administrators but rather in the system as a whole. The system has not stood up well to the demands of the new era of economic reconstruction and the urgent need for economic advance that can be left unsatisfied only at the risk of national instability. It is clear that the vast and extremely difficult tasks facing India call for intense effort, great imagination, and exceptionally effective administrative arrangements. An administrative system that will show the first two characteristics is yet to be created. That is certainly true in agriculture. The "spirit" that moves some of the members of the Service to function in a manner that is in conformity with the pace of modernization in India does not dominate the administrative system.

^{1/}Paul Appleby's Re-Examination of India's Administrative System, 1956, page 27.

^{2/}Ralph Braibanti and J.J. Spengler, Editors, Administration and Economic Development in India, page 133, Duke University Press, 1963.

^{3/}Ibid., pages 29-30.

Moreover, the accomplishments of the past decade and a half, significant as they have been, fell short of the needs of that period, and if there is no improvement in performance in the next crucial decade, the results might well be disastrous.

47. If, as seems to be generally agreed, better agricultural administration represents the difference between accelerated progress and just chugging along, has not the time come for less coordination and more administration in the Center, States, Districts, Blocks and villages? Is it not time for fewer conferences and "friendly persuasion" and more power, authority and firm decisions at the Center? And by extension and with appropriate variations, may not the same be said of the States, with the understanding that their activities are part of the implementation of National policy? Has not the time come for more individual decision-making, authority and unshared responsibility? Is it not time to de-emphasize the generalist and place emphasis on the well-trained specialist - at least to the extent of redressing the balance?

48. Many more questions can be raised with respect to the administration side and all with an eye to the ever-growing and ever-more exacting requirements of the country as it enters the stage of its most ambitious Fourth Plan. The dispensable traditions of India die hard in the village as in the IAS, and the changes are not likely to come about easily or quickly. Through the Plans, and the sweat and toil of the people, India has proclaimed that she is not ready to make peace with what hinders progress. Since the existing administrative system does not function well in the constantly subtly-changing setting, is it indeed time to push the problem it raises into the foreground, especially since it is recognized in Government circles, and with a sense of urgency, that the system must be changed to meet the new needs?

49. Many evidences of deep concern of this type can be offered. An excellent one is the assessment of the problem by Dr. Tarlok Singh in his paper on Administration and Planning of Agricultural Production Programs. He notes, of course, the impact of the array of measures in the agricultural field, which cannot be denied in spite of the fact that they have not achieved in full the results expected of them. "However," he wrote in early 1963, "the stage has now been reached when large results will come only with highly efficient, systematic and thorough-going administration and planning in agriculture at all levels ..." It is on administration at the Center, in the States and in all the principal agencies that serve agriculture that he lays stress, and he makes the very useful suggestion that to strengthen the administration of agriculture:

"One approach could be to have a single Ministry to deal with all aspects of agricultural development. This Ministry should be capable not only of providing directions and technical and financial resources to the States, but also of undertaking some important agricultural projects directly under its own responsibility ... The proposal that the Central Government should streamline its own

machinery for agriculture is intended only as an essential step towards improving administration at the State, district and block levels."

50. Dr. Singh's suggestions have yet to be put in practice. During the Mission's stay in India, a number of cabinet meetings discussed the possibility of broadening the administrative authority and enlarging functions of the Ministry of Food and Agriculture. One can only hope that the strongly-felt concern about better administration as a key to better agriculture will be dealt with in a practical way. Until it is, it is worth repeating the obvious. In 1956 Mr. Appleby wrote that "India is in fact in a state of emergency quite comparable to the condition that would obtain if the nation was at war. Its success in this emergency depends upon rapid decision-making, rapid action ... As in a war, the emergency dictates the establishment of procedures that have a maximum potential of acceleration consistent with democratic values."^{1/} What was true in 1956 is obviously even more true in 1965. Whether the present situation is called "war" or "emergency", it is unquestionable that India cannot afford not to reshape its administrative arrangements to enable the country to meet its great (and minimum) goals.

51. Agricultural administration cannot of course be fundamentally altered to meet the goals of the Fourth Plan. The administration is not a mechanical contrivance nor the type of problem that can be solved expeditiously. Long-established habits of thinking and practices cannot be eliminated overnight, although they are bound to change under the impact of the new science and technology. Such change does not imply a break with the cultural traditions out of which they grew, but modification and, as in the case of Japan, the grafting of the new upon the old that, as we know, can occur and prove effective. This process of change requires the understanding, will, action and practice of the Government and of the nation as a whole. Here and there organizational and functional efficiency of the management of the private and public industrial sectors is already being improved. While the administrative problems in agriculture are much more complicated, the features of the system commonly admitted to be worst need not wait for a long thaw for correction. As the first order of business, functions, authority and responsibility can be clearly defined particularly in the case of overall Union Government policies that are to be implemented by the States which have executive responsibility for implementing agricultural policy. If a beginning is made on some of the necessary changes, so well-known to the Government of India, with a persistence and "organized will" to match the demonstrated verbal concern, there is reason to believe that the effort will be crowned with success, difficult and tortuous though the process will be.

^{1/}Paul Appleby's Re-Examination of India's Administrative System, 1956, page 6.

II. THE PANCHAYATS

52. The preceding section was concerned with Government administration in the field of agriculture, and in that connection, discussed administration in general, because the former is, of course, one aspect of the latter. The present section is concerned with the panchayats or village councils which were created to administer locally a great array of schemes that come under the general title of "rural development". We did not have enough time with the Mission in India to study the State Panchayat Acts which determine the administrative structure of the panchayats and their relationships to other Government agencies. In this section, therefore, we shall attempt only to explain why the Government of India lays so much stress on the panchayats; to describe the tasks they are supposed to perform and their actual performance; and to discuss whether or not they could play a significant role in rural reconstruction in the immediate future. Since the panchayats cover all of rural India, their performance is of great significance for the future progress of agricultural production, as well as for life in the village in general.

A. Why Panchayats?

53. The panchayat which means literally a council of five, is an ancient and basic Indian village organization for local self-government. Under British rule, the panchayats were largely replaced by District Administrations whose main functions were revenue-collecting, administering justice and maintaining law and order. As time went on, the village community became increasingly dependent on this "outside" administration and less and less able to manage its own affairs. Even before Independence, it was strongly felt in Indian circles that the character of the district administration would have to be changed to make possible the implementation of the developmental programs which were to be undertaken and whose success would require the close cooperation and active support of the people. After Independence, the Government encouraged development of the panchayats and recognized them as statutory bodies with officers, duties and sanctions. In fact, Article 40 of the Constitution lays down specifically that village panchayats are to be organized and that they are to receive sufficient authority to be able to function as units of local self-government. The justification for the promotion of this institution was set forth as follows in the First Plan:^{1/}

"We believe that the panchayat will be able to perform its civic functions satisfactorily only if these are associated with an active process of development in which the village panchayat is itself given an effective part. Unless a village agency can assume

^{1/}The First Five-Year Plan, page 133.

responsibility and initiative for developing the resources of the village, it will be difficult to make a marked impression on rural life, for only a village organization representing the community as a whole can provide the necessary leadership. As the agencies of the State Government cannot easily approach each individual villager separately, progress depends largely on the existence of an active organization in the village which brings the people into common programmes to be carried out with the assistance of the administration."

54. Two other justifications for the panchayat, implicit in the Plan, may be noted. As the scope of the economic and other goals expanded, there would be need for a direct linkage of the village with an administrative entity and of the peasant with the projects the village decided to carry out. This meant also, and for good reason, a reduced reliance on edicts from above, which had, in any case, often failed to produce results in the past. Community Development could not take the place of the panchayats because it was through the latter that Community Development was to carry out its programs in the countryside. But beyond this, there was a great faith in local self-government as such. Indians did not share the view held by some students of public administration (the late Paul Appleby, for one) that the farther a unit of government is removed from the centers of power the greater is the likelihood of corruption, politicking, obstruction and inefficiency in its operations. The prevalent view was that local self-government was desirable in itself from a purely civic point of view - economic development or no economic development.

55. This theory had many roots: the places of the village as a self-contained unit of administration and economy throughout India's long history; the view of the village as a "little republic" held by Sir Charles Metcalfe, one of the founders of the British rule in India; Gandhi's picture of the village as the very bedrock of India, not only the place where most Indians live but India's despair and hope, a brake on progress and a source of strength. In addition, there were the theories of the great British exponents of the virtues of self-government - John Stuart Mill, James Bryce and Gladstone - which were well-known to Indians. Finally, there was the unanimously held belief of Indian leaders that the Central and State Governments are too far removed from the village community to do justice to its aspirations. The need for a revival of the panchayat, or local self-government, was, therefore, an inevitable article of faith. How this revival was to be effected was set forth in a general way by the searching Mehta Report, to which frequent reference is made below: "There should be a devolution of power and decentralization of machinery and such power should be exercised and such machinery controlled and directed by popular representatives of the local areas."^{1/}

^{1/}Report of the Team for the Study of Community Projects and National Extension Service (Balvantary G. Mehta, Leader), three volumes, 1957, page 7.

B. Panchayat Organization and Content

56. With the blessing of the Government and the First and Second Plans, village panchayats grew rapidly in India as the lowest units of administration. Organizationally, they constitute the lowest level of a three-tier system of elected local Governments: the village panchayat, the Panchayat Samiti, which is composed of the village panchayats within a block, and, at the district level, the Zila Parishad, which is made up of the chairmen of the Panchayat Samiti. The three tiers were supposed to be neatly linked together, with the Panchayat Samiti serving as the Block Development Office with responsibility for directing development work in the villages. As such, the Panchayat Samiti was to receive Central and State funds for project allocations, and for reasons just noted, was both to direct and be responsible for village economic activities.

57. The staff of the panchayat generally consists of a secretary who is a full-time Government employee in some States and a village level worker or local schoolteacher in others. The technical work connected with panchayat projects is carried on by the Community Development staff. A panchayat may serve one village only, but in most cases covers two, three or more contiguous villages. Its membership varies from five to fifteen members who are elected for periods of from three to five years by all adult voters, either by secret ballot or show of hands. In reality, there is enough factional rivalry and vote manipulation to make the form of election a matter of little consequence. The picture of the panchayat as an expression of "democratic decentralization" is far from reality. Some observers suggest indeed that panchayat elections have accentuated rather than reduced the ever-present village factionalism. In any case, the panchayat does not represent the common interests of the village community. In the quaint language of the Mehta Report, this is due to "temperamental" limitations, and is tied in with the question of land reforms and other measures for dealing with unemployment and underemployment in the villages. The panchayat tends to be exclusive rather than inclusive; only the "haves" attain commanding positions. The Mehta Report is quite clear on this very important point:

"Often the panchayats consisted mostly of the wealthy and influential persons. It has been observed that in spite of the provisions contained in the Panchayat Acts for fixation of the number of seats for each ward and reservation of seats for Scheduled Castes/Tribes and Harijans ('untouchables'), in general panchayats cannot be said to command the loyalty of all sections of the community especially the poorer tenants, the landless, the artisans and the backward classes; in practice the economically weaker sections have as yet little voice in the affairs of panchayat."^{1/}

^{1/}Report of the Team for the Study of Community Projects and National Extension Service (Balvantary G. Mehta, Leader), page 2.

58. The panchayats have many duties to perform, at least on paper. On the development side alone, the Second Plan envisaged their carrying on ten principal activities. It is not necessary to list them all, but a fair idea of the impossibly burdensome task imposed on them can be gained from the following. They are expected to draw up village production programs; to harness and make better use of local resources; to fix priorities and assume responsibility for the application of such common prescriptions as the improvement of farm practices; to channel government assistance funds for various projects; to promote cottage industries; to organize voluntary labor for community projects; to stimulate small savings, and, most difficult of all, to foster the spirit of cooperation among the cultivators. A good deal of stress is also placed on purely civic functions - administration of justice; road building and digging wells; regulation of trade; issuance of a variety of licenses; inspection, fumigation and closing of unsafe buildings; administration of health and sanitary regulations, including registration of births and deaths. In other words, the panchayats are expected to carry on a wide range of municipal, administrative, cultural, social and development activities. It may be noted in passing that the panchayats were also expected to take a hand in promoting land reform, but in this field in particular even the best of them have demonstrated no interest whatever.

59. To carry on these many activities, the panchayats are permitted to levy many kinds of taxes: house and rest-house taxes; sales tax; special fees on carriages, carts, bicycles, rickshaws, pack animals and boats; water and lighting tax; fees for registration of animals sold within the local area; taxes on entertainment, marriage and adoption of children, etc. To supplement their revenues, panchayats in a few States are given a share of land revenue ranging from 5 per cent to one-third of the previous year's collections. From this list of sources of revenue it might be concluded that the panchayats have ample financial resources. Actually, their resources have fallen far short of their needs, in part because they have failed to collect many of the taxes permitted. Nor were the contributions from Community Development funds large enough to fill the gaps. As a result, according to the Mehta Report, "It is evident that without financial assistance from the State Government many panchayats cannot continue their existence. It would appear from the available data that the majority of working panchayats over large areas have an annual income not exceeding Rs. 500 from all sources, including Government subsidy."¹ There are States (Bombay and Saurashtra) where panchayat revenue runs into thousands of rupees, but this is due to the rather large State subsidies. With these exceptions, the situation in Uttar Pradesh may be considered typical. In 1957, in this most populous State of India, by no means a backward State, the average income of a panchayat was less than Rs. 200.² As is made clear below, there are many reasons why most of the panchayats have not fulfilled the expectations of their proponents. But in 1957, as in later years, their limited revenues were an important cause

¹/Report of the Team for the Study of Community Projects and National Extension Service (Balvantary G. Mehta, Leader), Volume II, page 4.

²/Ibid.

of their shortcomings, for they had little to spend on development or other activities.

C. The Mehta Assessment and Prescriptions

60. As has been indicated, the revival of the panchayats took place under very auspicious circumstances, including even the blessing of the Constitution. Yet it may be said that the panchayats have been one of the least noticeable features of Indian rural life: in 1957 there were 160,000 panchayats, covering over half of the country, but many of them were merely pro-forma organizations. Thus, we read in the Mehta report that "Despite the fact that the general picture is one of progress in all States and signs of healthy growth are noticeable here and there, there are yet substantial elements of instability and weakness present in a majority of panchayats. The available information indicates that possibly not more than 10 per cent of the total number of panchayats are functioning effectively, roughly one-half are average, and the remaining 40 per cent are working unsatisfactorily."1/ Why had the panchayats made so little progress by 1957, seven years after the attempt to revitalize them was started? It can be said that their position reflected the poor performance of Community Development. There were, however, special factors applying to panchayats only. These are summed up best in the Mehta report which was a study of 60 panchayats in 15 blocks. Since the main purpose of the study was to observe the operation of panchayats in relation to the development programs, which may be regarded as identical with agricultural programs, the special features noted are of great interest.

61. To begin with, the Report pointed out that the electorate, or the village Gram Sabha, seldom met with the panchayats once the latter were in office. When they did, the sessions were characterized by a lack of interest and were "generally ineffective". We have pointed out that the panchayats are supposed to be the core of "democratic decentralization". This implies the direct participation of all or most of the villagers in the affairs of the community, with leadership shared among all or most groups of the village. However, as we have also pointed out, the reality is very different. The panchayat is actually in the hands of the rich, land-owning classes or dominant castes. By itself, the wealth and high social status of the leaders ought not to prevent the poorer sections of the village from seeking to better their conditions. It ought to be possible to mesh the interests of the well-to-do with those of the rest of the community. Such a condition is, however, yet to be realized; interests are still sharply differentiated along class, caste and family lines. The panchayat with its democratically-egalitarian political overtones has introduced nothing that suggests, however remotely, a tendency towards fairer sharing of the village wherewithal. The disregard by the panchayats of land reform or of the wage question, both of which concern agricultural workers deeply, are clear indications of that fact.

62. As a second point, the panchayats have in theory been endowed with wide powers of decision-making; in theory, too, in many States the

1/ Report of the Team for the Study of Community Projects and National Extension Service (Balvantary G. Mehta, Leader), Volume I, page 7.

development programs at district, block and village levels have been turned over to the panchayats, and much of the administrative and technical staff of Community Development is supposedly under their control. In practice, most of the panchayats are controlled by Community Development officials, or by officials of other Government agencies. This state of affairs is apparent to anyone studying panchayats in the field. Actual panchayats present a picture completely at variance with the ideal of a body consisting of a group of people chosen by the village who know what is good for the village and are willing to try to work for it. Government grants alone would inevitably lead to official "participation", not to say control; it is not difficult to see why the peasants believe that "the panchayat is merely an instrument of the higher Government". In the period under discussion (up to 1957) the revenues of the panchayats were less than 50 per cent of what they had been expected to be. Naturally, they fell far short of needs, even after the addition of Government grants. With total per capita income ranging from Rs.3.6 to Rs.0.17, the comment of the Mehta Report that "these figures bring out the extent of poverty of these institutions" is understandable; but they should have been able to do better, because "in no instance does the actual income come near the potential".

63. The panchayats clearly lacked the revenues to carry out the tasks they were expected to perform. And in fact they failed to perform these tasks even in the field of maintaining civic amenities which do not involve any significant expenditures. The reference is to such common activities as street lighting and keeping the lanes clean. Thus, "street lighting is being done only by one-third of the selected panchayats; sweeping the village streets by about 40 per cent. But, in not all these cases are arrangements adequate or even regular ... about two-thirds of the panchayats are not able to attend to even these most elementary civil amenities." These lapses are cited not so much for their own significance, as to show that the panchayats have failed to meet their responsibilities throughout the entire range of municipal and civic activities.

64. It will be recalled that rural development was to have been the primary task of the panchayats; only success in that field would provide the basis for the betterment of the economic position of the farmers and for civic improvements of the village as a whole. Here, too, the implementation of this eminently sound idea by the panchayats hardly got off the ground. Whether because of the short time they had been in operation, or because of village factionalism, or for lack of means, or possibly because the village as a unit had not yet awakened fully to its needs and opportunities or for all these reasons, expectations for agricultural development and the reality were miles apart. Whatever increase in agricultural production has taken place cannot be attributed to the panchayats. On this point, we may again quote the Mehta Report:

"The panchayats' role in economic development activities is negligible. In two States, Uttar Pradesh and Bihar, they are reported to have drawn up village plans. However,

these plans have not created any consciousness about planning nor have they had any noteworthy effect on agricultural improvement in the villages ... Panchayats have no relation with co-operative societies even though societies exist in the majority of the panchayat villages and a number of panchayat members are members of co-operative societies also. Panchayats have taken no other initiative in promoting agricultural improvement in the villages, and ... management of their own lands has been far from satisfactory.^{1/}

65. However, the fact that as of 1957 the performance of the great majority of the panchayats had not been satisfactory was not accepted as a defeat but rather as a challenge to improvement. Many doubts were expressed about the wisdom of placing upon the village such exacting tasks of a novel kind, especially in view of the apathy of the panchayats, the shortcomings in leadership, and the other deficiencies discussed above. But the Indian decision-makers, though recognizing these difficulties, viewed them as transitory. What mattered from their point of view was the conviction that the village had to be imbued with a new sense of purpose and that the farmers themselves, knowing their own interests best, must be made the agents of change. It is not surprising, therefore, to find the following in the Mehta Report: "It is not theory or dogma which is impelling us to make these recommendations (on revitalizing the panchayats) but practical considerations." Related to this conviction was the belief held, though often unexpressed, in official circles that Community Development had failed to do its major job. Thus, the "most telling argument" of the proponents of the panchayats "was that the old bureaucratically organized and operated community extension organization had not accomplished what had been expected of it, and that the evidences were that the degree of failure was due to its incapacity to elicit, mobilize and harness the great potential of dynamic democratic development which resided in village people and village groups".^{2/} The main point, therefore, was the conviction that the "potential" was there.

D. Remedial Suggestions

66. Although the panchayats had proved unable to "elicit, mobilize and harness" the compelling need for a faith in the village as the repository of its own regeneration remained undiminished. Yet another attempt to revitalize the village was in order, and this the Mehta Report set out to do. Laying bare the shortcomings was a necessary step and this

^{1/}Report of the Team for the Study of Community Projects and National Extension Service (Balvantary G. Mehta, Leader), Volume III, pages 23-24. *Italics added.*

^{2/}Taylor, Ensminger, Johnson and Joyce, India's Roots of Democracy, page 346, Orient Longmans, 1965.

it did without fear or favor. But it did more than that. It reasserted the validity of the idea of a panchayat and restated the rationale for their continued existence along the lines set forth above; it sketched out their organizational structure in the form of the three-tier structure system already discussed; it called for the enactment of panchayat legislation in every State, and made a strong plea for greater financial support, recommending that 40 per cent of all State land revenue should revert to the village panchayats. Beyond that, it urged, and not without success as demonstrated by a number of State Panchayat Acts, that the funds for development should be controlled by the Block panchayats; that the Block Development Officers, for example, should serve the panchayats rather than the other way around, and that, in general, all levels of panchayat organization should be given much greater powers for decision-making and permitted to act with much less interference. Though fully aware that there was a great gap between the means and ends of the panchayats, the emphasis remained on development:

"... will have the entire charge of all development work within its jurisdiction. The term 'development work' covers agriculture, animal husbandry, cooperation, minor irrigation works, village industries, primary education, local communications, sanitation, health and medical relief, local amenities and similar subjects. If this body is to function with any rigour, initiative and success, the Government will have to devolve upon it all of its functions in these fields within the body's jurisdiction reserving to itself the functions of guidance, supervision and higher planning; and where necessary, providing extra finance."¹

67. Generally speaking, the Mehta Report does not make many recommendations; it includes relatively few "should be done's". But the recommendations are implicit in the revealing descriptions of the poor performance of the panchayats; in the admission that certain village arrangements cannot be changed by edicts from above, and one suspects, in the implicit faith that the panchayats will learn from experience to do better, even within the socio-economic limitations imposed by the village. However, it recommended continuing the overall supervision of the panchayats in the hands of the Ministry of Community Development and Cooperation.

68. The Mehta Report findings and conclusions were accepted in many States and appropriate legislation was enacted. It is not our purpose to go into the administrative aspects of the State panchayat laws, suffice it to say that the panchayats have been fully legitimized by law. Their present position is accurately described in the following summary: "First ... they are now universally-established village panchayats as statutory bodies. Second ... some local panchayat officials are everywhere members of the next higher level of governing bodies. Third, there is a devolution of power in all States from higher to lower units of government.

¹/Report of the Team for the Study of Community Projects and National Extension Service (Balvantary G. Mehta, Leader), Volume I, page 7.

Fourth is the significant fact that in all States, village panchayats retain some of their traditional rights and practices as judicial bodies."^{1/} All of this means that for the first time there is a legally established system of local self-government with duties and responsibilities for a host of activities, chief among them being developmental. Since the latter is of our primary interest, it is pertinent to inquire what the reorganization has brought about in these terms.

E. Panchayats Since 1957

69. The panchayat provides the structure, the form for exercise of the will of the people, but it is the people themselves who must furnish the content vital for their functioning effectively. But is the content there and can they function effectively in an organized way and on a community-wide basis? It is correct to say that when an Indian farmer is asked what his "felt needs" are, in most cases he will pinpoint them correctly. But this has not served to produce the desired results.

70. One of the methods adopted to secure an improvement in the work of the panchayats to enable them to translate "felt needs" into action was training. As in the case of Community Development leaders, members and leaders of panchayats were to be trained in what to do and how to do it. Carried out under the auspices of Community Development, the training reflects that organization's methods. A brief summary of the long list of subjects taught is as follows: Government, the Five-Year Plans, philosophy and objectives of Community Development programs, the State Panchayat Acts, basic principles of agriculture and its main subdivisions, field visits, etc.

71. There are now more than 100 principal panchayat training centers, and an undetermined number of so-called "peripatetic" training teams. At the centers, there are three to seven day programs for members and three month courses for secretaries of panchayats. The peripatetic teams were expected to hold camps for three days and give training "in a few selected subjects". Their program was not planned in modest terms. For example, "The ultimate object was to train 25 farmers (for panchayat work) from each of India's 550,000 villages, thus bringing the total to 13.75 million. Unfortunately, the camps could not be prolonged for a longer period, because of the farmers' own preoccupation."^{2/} On a more modest scale, and as nearly as we can determine from the available information, the following additional groups were to receive training:

"... 160,000 panches (members of panchayat), 200,000 sarpanches (chairmen of panchayats), 200,000 upsarpanches (deputy chairmen of panchayats), 325 prannuks (presidents of Zila Parishads), 5,000 pradhans (presidents of the

^{1/}India's Roots of Democracy, page 358.

^{2/}From Lok Sabha to Gram Sabha (A Program of Study and Orientation), page 11, Ministry of Community Development and Cooperation, 1960.

Panchayat Samitis), nearly 300 members of the sale committees of different State Legislatures and over 100 M.P.s serving on various committees and sub-committees of the Parliament and State Legislatures dealing with the training programme for Community Development."^{1/}

Nor was this all. "Facilities for study and orientation are also to be provided for much larger numbers of youth leaders, women workers, selected Gram Sahayars (the female counterparts of VLM) in the entire adult population of 200 million of, or members of, Gaon Sabha"^{2/} (Village Assembly).

72. This ambitious plan or rather dream could be dismissed as unworthy of comment, but it does indicate the superficial character of the training it was proposed to give and the lack of regard (even if that was unconscious) for such training. Even if the scheme was merely a paper idea it might have given some consideration to such limiting factors as the lack of funds, the poor organization and the inadequacy of capable trainers. Equally serious and hardly appreciated was the questionable assumption that virtually everybody needed training to make the panchayats work. Even the well-intentioned authors of the plan were not unaware of this latter point. They noted that "while emphasizing training, we should not be too obsessed by it".^{3/} But clearly, the disclaimer in no way diminished the obsession. This is the more perplexing since this statement is followed by the injunction that Prime Minister Nehru's advice should be borne in mind. Said the Prime Minister:

"I do not want you to develop a caste of trained people. Perhaps untrained people, who have good ideas, who have faith, enthusiasm, energy and capacity for doing hard work can carry your message much further than your trained men. In the early stages of Gandhiji's movement, we had no trained people; we had men and women who had faith, energy and enthusiasm. They carried his message all over the countryside like wild fire."^{4/}

73. Fortunately for rural India, the training-mania in the making did not materialize. There is training, but the activity is less ambitious and more in keeping with available means. As of the end of 1964, the total number of people who had received training was just under 200,000, roughly divided between those who had gone to the training centers proper and those who had gone to the camps established by the "peripatetic" teams. We cannot judge how good this on-the-fly training has been and judging from what we have been told by trainers and trainees, we doubt whether they can offer their conclusions with any more assurance. At best, we express the

^{1/}From Lok Sabha to Gram Sabha (A Program of Study and Orientation), page 3, Ministry of Community Development and Cooperation, 1960.

^{2/}Ibid., page 20.

^{3/}Ibid., page 19.

^{4/}Ibid., page 19.

hope that neither the lessons of Community Development training before the panchayats came into the picture, nor the lessons of early attempts to train everybody under the panchayat system, have been in vain.

74. Training or no training, and whatever the character of the functions assigned to the panchayats, giving substance to the Mehta Report ideas has been beset by many difficulties. Some panchayats have done good work, particularly in the field of judicial arbitration, but few have made great contributions to agricultural development. Most of the panchayats are not deeply involved in problems of rural reconstruction, and a number have been altogether dormant; many are essentially political bodies, leaving economic matters in the hands of the Collectors, Block Development Officers and Extension Control. The question is, therefore, not how genuine has been the transfer of power and responsibility to the panchayats, but whether, at least for the time being, the village panchayats are willing or able to take on the formidable responsibilities of guiding the process of agricultural improvements. Among the major obstacles are the casteism and factionalism of the village which have already been referred to. According to the Mehta Report, "The number of panchayats which are torn by factions or in which squabbles are rampant is large. In fact in some States they are in the majority."¹ And little has changed in this respect since 1957. Judging from personal observations in the countryside and the testimony of others, the concept of service to the community is not widely held in the panchayats. Despite some legislation since 1957, the leadership of the village panchayats still consists of the "high and mighty", whose interests are separate and distinct from those of the village as a whole. Even a keen supporter of the panchayat idea says on this point:

"Today the village community is masked by inequality of holdings, wealth and power. A semi-urbanized landed gentry is holding the rein of power. Democratic decentralization (panchayats) will then be only a handy instrument for perpetuation of their power unless there is a simultaneous pursuit of centrally initiated and directed measures which will give livelihood, literacy and independence of decision to those to whom they have been denied for a long time indeed."²

75. Personal observations in 1963 revealed what is widely supported by evaluation studies, namely, that with notable exceptions such as Maharashtra, and to a lesser degree Rajasthan, the panchayats are far from fulfilling the agricultural production role they are expected to play. Once again, as in the case of Community Development, theory and practice clash. The idea of carefully thought out panchayat pilot projects has occurred to some, but it is past pilot stage for the panchayats, when there are, as of the end of March 1964, 215,000, blanketing 97 per cent of the country and an equal percentage of the village population. Their

¹/Mehta Report, Volume II, page 7.

²/P.R. Dubhasti's The Implications and Scope of Democratic Decentralization, "Journal of Public Administration", page 24, Volume VI, No.4.

expansion has not simplified but rather complicated administrative, organizational and supervisory problems. They are a drain, too, on the none too abundant technical resources of the country, especially since with few exceptions they make little effort to initiate and implement rural programs.

76. One of the latest studies (1964) of panchayats in Alipore Block of the Union Territory of Delhi^{1/} offers support for the view set forth above. The area studied is not a backward one; it is made up of 57 villages with 45,000 cultivated acres, more than half of which are irrigated by a network of wells and canals. Ten selected villages were studied in detail, and these "were those which are considered best in the field of cooperation and panchayati raj".^{2/} Although our main concern in the present discussion is with the work of the panchayats, the close link between them and Community Development is such that it is relevant to note the conclusion drawn by this study about the work of Community Development. Thus, "During the past decade the pace of development activities has considerably slowed down ... the block development workers revealed that the plans are being formulated without any regard to the conditions prevailing in the block, including its resources, needs and requirements ... the Block Development Office ... simply directed to spend a specific amount of funds for specific purposes, without any consideration of local conditions and needs".^{3/}

77. If these findings are correct, and, judging by the details of the findings this seems to be the case, they cannot but reflect an equally poor performance of the panchayats. Organizationally, the panchayats in Delhi do not represent a three-tier system, since there is no Zila Parishad. In all other important respects, however, such as their duties and sources of income, they do not differ from the panchayats in the rest of the country. As to their performance and the extent to which they bring the villagers together for common action to improve agriculture, the investigators draw the familiar conclusions. There is the same failure to raise enough local funds, or a large enough indigenous labor force for public projects, or to encourage the local people to undertake a given task. Their per capita income and expenditures was only Rs.1.60 in 1961-62 and Rs.2.03 in 1962-63. The panchayats in Alipore Block, like those in many other parts of the country, also managed to bring into focus the factionalism rampant in the village communities.

78. We can best sum up the performance of these panchayats after years of existence in the following quotations from the study. With respect to programs, it says: "So far no step has been taken to formulate village production plans. There are, therefore, no targets to be achieved. Local works programs executed were only those for which financial assistance was provided by the Government through the Block Development Officer." To carry out such projects (fish ponds and village roads or

^{1/}Ranjit Gupta's Community Development Cooperation and Panchayati Raj in Alipore. A pilot study, prepared by Indian Cooperative Union, New Delhi, 1964.

^{2/}Ibid., page 3.

^{3/}Ibid., page 9.

bridges) "the services of private contractors were secured". We do not know how widespread this practice is, but it indicates that neither Community Development nor the local panchayats were in a position to organize and implement programs of so relatively simple a nature. The panchayats proved equally wanting in convincing the farmers that they existed to help them. The study states that:

"A group of 100 agriculturists and non-agriculturists who were interviewed in this connection felt almost unanimously that the panchayats were of no use to them ... Excepting 12 farmers who owned land over 25 acres, the rest of them also felt that the panchayat was not an organization of their own ... 88 of the households owning less than 25 acres of land also felt that the material benefits made available to the panchayats did not reach them - that these appropriated by the well-to-do section of the village community."^{1/}

It is not surprising, in the light of the above, that the authors reached the following summary conclusion:

"Judging in terms of basic principles laid down for the establishment and development of panchayati raj, it can be said that insofar as the Alipore Block of Delhi is concerned there has been no 'genuine transfer of power and responsibility to the panchayats', and that 'there has hardly been any attempt to channelise the development programmes through them or facilitate task of further devaluation and dispersal of power and responsibilities.'^{2/}

F. Conclusion

79. No claim is made that the conclusions with respect to the Alipore panchayats apply to all or even most of the Indian panchayats. But it cannot be denied that they reveal many of the weaknesses common to panchayats throughout the country. A variation on the theme is given in a recent unpublished paper by a close Indian student of agricultural problems. According to the author, "there is a feeling that nothing ever moves (in the panchayats) without orders from the States and Central level, and the self-confidence that the institutions were supposed to generate among the rural people has not been much in evidence". Once again the stronger rural interests appear as panchayat leaders are little concerned with economic change in the village, except as they suit their purposes. We ourselves have encountered some exceptions, but in general the picture

^{1/}Ranjit Gupta's Community Development Cooperation and Panchayati Raj in Alipore. A pilot study, prepared by Indian Cooperative Union, New Delhi, 1964, page 18.

^{2/}Ibid., page 18.

is as described. The writer quoted above holds out the hope that at some later date, "An impetus will be given to rural development programmes, particularly for increase in agricultural production. But meanwhile mutual bickerings prevent or postpone the execution of important tasks and the provision of essential services for the growth of agriculture". And yet, even one of the most trenchant and knowledgeable critics of Community Development and the panchayat system concludes his analysis by saying that the goals of the Indian village being what they are, it cannot do without the Mehta prescription. "If India," says he, "is to be true to her declared purpose of creating a society based upon consent, molded together by voluntary cooperation, with the ordinary people working together as equal citizens, then Panchayati Raj is a major step upon this road."^{1/}

80. It is difficult to disagree with the above conclusion. Despite all the factors that militate against concerted village action to lift agricultural productivity to a higher level, and all the shortcomings of the panchayats put forward by their critics, there seems to be no alternative for the theory that village reconstruction in India could be speeded up through a common effort on the part of the village. Moreover, the effective panchayats provide some hope that those which are completely or largely ineffective can be lifted up to the level of the better ones. Finally, there is no indication that the Government of India will abandon the panchayat idea. The powers-that-be view them as the only possible local agencies of rural betterment, and their commitment to the institution is unquestionable. In short, however the panchayats perform at present, they are here to stay. It is understandable, therefore, that in his latest pronouncement, Mr. Mehta^{2/} recommends that the State Governments earmark the entire land revenue to the panchayats and the Central Government give them capital assistance from PL-430, in order to provide them with ample resources. These would-be financial arrangements to strengthen the panchayats lie in the future; this is similarly true with respect to the development on their part of an abiding interest, common purpose, and administrative skills, so that rural India may receive a much needed developmental stimulus from the village itself.

^{1/}From Hugh Tinker's Administration and Economic Development in India, page 133. Edited by Braibanti and Spengler. Duke University Press, 1963.

^{2/}Times of India, January 20, 1965

III: CONDITIONS AFFECTING AGRICULTURAL PRODUCTION

81. Since the contribution that the panchayats as an institution can make to agricultural improvement lies in the future, the question arises as to the level of agricultural production that can be expected to be reached under present institutional conditions in general or those likely to occur in the years immediately ahead. No quantitative estimate is attempted; this is given in Part III of the Mission's Report No.1: Agricultural Policy in India, and in some of the relevant appendices. Instead, we set forth the factors favoring agricultural expansion and those pulling in the opposite direction. By the same token, this balance sheet might suggest what approaches and actions could serve to place agriculture on a more production-oriented basis, assuming that the availability of physical inputs is not a critical issue.

A. Favorable Conditions

Bargain Sector

82. The best of Indian farmers compare with the best elsewhere, but the overall level of agricultural productivity is very low. However, it is precisely because the average per acre foodgrain yields are among the lowest in the world, barring the African countries, that India has a large potential for higher yields. In this respect India is a "bargain sector"^{1/} that can be exploited for higher productivity which could be achieved with relatively small investments in a comparatively short time. Current yields have almost no place to go but up, particularly since investments for all kinds of inputs are going to be larger under the Fourth Plan than ever before. To this should be added the investment increments under the Third Plan from irrigation, for example, which are only now beginning to bear fruit. Agricultural production programs will continue to be administered and implemented by the people currently in charge of agricultural development - the Collectors, Block Development Officers, the Extension Service, and so on. We repeatedly called attention to the fact that their performance is in need of much improvement but it must be admitted that they have gained some useful experience in a variety of fields, including field training. This in turn, has undoubtedly resulted in some improvement in the quality of field demonstrations. Finally, the prospects of greater credit availability, more fertilizer and its better distribution cannot be discounted.

Growth

83. Despite the poor showing in 1961-62/1963-64, and the low yields even in good years, agriculture in India does not present a picture of stagnation. "Stagnation" and growth can be observed side by side in many parts of the country, not only in the show-case districts of Punjab and

^{1/}S.R. Sen, The Strategy for Agricultural Development, page 3. Asia Publishing House, 1962.

Andhra Pradesh. To be sure, the best farmers who produce 3,000 to 9,000 pounds of rice per acre as against a national range of 400 to 1,200 pounds are not many. They are still tiny islands in a vast ocean of poorer producers, but they are growing in number. Moreover, aside from the exceptional producers, there are signs of general if modest increases in yields. It is significant that both the major and the minor advances have been achieved with traditional technology, but with the help of improved irrigation facilities and more fertilizer. The extension of this process is worthy of the closest consideration. This in no way argues against a major effort in the field of agricultural research. In a decade or so, the progress of Indian agriculture will depend on the success of basic agricultural research. But at present, although "stagnating" producers are an index of the country's backwardness, the increase in the number of "growth" producers is a measure of the agricultural potential and a promise of what can be done with that potential.

Commercialization of Agriculture and Price Incentives

84. There has been considerable debate in India with respect to the responsiveness of farmers to higher prices. The view has been advanced that an increase in prices will merely enable farmers to satisfy their purchase needs with smaller sales of whatever they produce. However, it is well known that farmers respond to price increases in cash crops such as sugarcane or jute; more recent evidence shows that they respond also to price changes in foodgrains^{1/}. Though the degree of response varies, the monetization of the rural economy is developing fast. Any interested observer of rural India of recent years cannot help but see the distinct change in demand and the great variety of demand for such new products as oil engines, pumps, farm equipment, petroleum, cement, fertilizers, radios, sewing machines, bicycles, watches, pen and pencils, textiles, etc. The new and growing demand for consumer goods is bound to have a positive effect on agricultural production. This may be further stimulated by the current foodgrain price policy which is the first attempt in India to guarantee the food grower a minimum and presumably remunerative price and to stabilize the prices for the consumer. This is a new experience for farmers and Government alike. It is difficult to predict how well it will operate, but the move is in the direction of an effective incentive to encourage the farmer to invest for higher agricultural productivity. If the use of some 7-8 million tons in this year's crop should lead to the watering down of the price incentive measure, the expectation of a continual significant growth in output is not likely to materialize. If, on the other hand, the Government is indeed in earnest about rewarding the farmer for his effort in taking advantage of the still dormant potentialities, as appeared to us during the Mission's stay in India, a large step will have been taken in the right direction. A writer concerned with this problem stated that "Until we are able to bring about our (food) crop production fully into the nexus of exchange, we shall never be able to put our agriculture on a modern and scientific basis nor to increase the much needed marketed surplus"^{2/}. In Indian conditions, with nearly two-thirds

^{1/}A.M. Khusro's Rural Development - unpublished paper

^{2/}S.R. Sen's The Strategy for Agricultural Development, page 18, Asia Publishing House, 1962.

of the operational holdings made up of less than five acres each, the above statement is like asking for the moon. But the fact is that large numbers of this group of farmers who have access to irrigation are also affected by the desires for amenities and could be drawn into the market structure and influenced by higher prices for their products. To repeat, if the new price policy put into effect by the newly created Agricultural Prices Commission operates smoothly, another element favoring agricultural expansion will come into the picture.

"Climate"

85. There is yet another condition that may be placed on the plus side of the ledger. The reference is to a more favorable agricultural "climate" in the center of power. Perhaps its leading representative is Mr. Subramaniam, Minister of Food and Agriculture, a man singularly outspoken on crucial agricultural issues and eager to accept and try new ideas. The food difficulties of 1964 succeeded in one respect: agriculture became a focal point of thinking, and the agricultural section of the Fourth Plan reflects this change. There has probably never been so much talk about the top priority character of agriculture as in the past year. This "talk" may be dismissed on the ground that it is similar to talk in the past which led to no improvement in performance, or on the basis of the view supported by Indian cultural and social students that the intellectual tradition of India "is more theoretical than operational", that words have too much influence, that hard labor is at a discount, and that economic growth suffers accordingly. There is a kernel of truth in this, but the fact is that India has made a great deal of industrial progress since Independence through hard work and has not stood still in agriculture. The tendency to substitute words for action is a weakness of the professional elite, and will not disappear overnight, but it is our impression based on our recent experience in India that the decision-makers in agriculture at the Center are more keenly aware of the need for finding "handles" to carry out agricultural programs. It is true that the past decade is filled with unsuccessful attempts to find ways of improving agricultural productivity significantly. Nevertheless, in this respect the past need not necessarily serve as the sole guide to what can be expected in the future. The refreshing and novel views of Minister Subramaniam on price policy, cooperatives and competition as a means of distributing fertilizer are significant evidences that the agricultural "climate" may be beginning to change. We do not believe that Mr. Subramaniam's probings for new avenues of attack are merely intellectual exercises. Moreover, there are others, though a minority, similarly inclined. The Indian penchant for verbalizing rather than acting may be expected to persist but it seems to this observer that under the increasing pressure of reality, the realization of the urgent need for improvement in agriculture is becoming keener. Talks with officials directly involved in this problem and occasional soul-searchings in published and unpublished official memoranda and papers bear testimony to this. For this reason we believe that the "climate", at least in the Center, is probably more propitious now for a bigger push in agriculture than in the past.

Farm Planning - Village and Individual

86. Much has been said by Indian planners on the need of village planning, and, as in the "package programs", on the desirability of individual farm plans. As envisioned by the Plans, the process is as follows:

"At the village level, particular importance is attached to village agricultural production plans which have to be drawn up and implemented within the framework of block agricultural plans. The village production plan is intended to involve all cultivators in the village in the agricultural effort and to mobilise effectively the resources of local communities. It includes two main groups of programmes, namely, (a) supply of credit, fertilizers, improved seed, assistance for plant protection, minor irrigation, etc., for which a measure of assistance has to come from outside the village, and (b) programmes such as the digging of field channels for utilising irrigation from large projects and local irrigation and soil conservation works which call for effort on the part of the local community or the beneficiaries."^{1/}

So far, the villages do not generally engage in planning if we mean by that term the mobilization and utilization of indigenous and external resources in a manner best calculated to advance the agriculture of the village as a whole. The States do allocate funds to districts on a planned basis but they, in turn, spend these funds on an ad hoc basis, without the benefit of a plan or "firm" program. In the restrained language of the Planning Commission, "Attempts to formulate plans at the local level and, as it were, to plan from below have so far met with partial success."^{2/}

87. It is no reflection on the planning process in general that the village does not fall within its orbit; nor is it a reflection on the villages that they have to date managed to stay outside of it. In fact, if for no other reason than the current ineffectiveness of administration - and there are other reasons - it would probably be a disservice to agricultural production to enmesh the 550,000 villages in detailed plans for which they are not prepared and whose usefulness they evidently question since they display no interest in them. There are individual plans in the "package districts", but, as pointed out elsewhere, in terms of agricultural production they are little more than devices for securing cooperative credit - since the Reserve Bank makes such plans a condition for the grant of credit. How a farmer allocates his resources for a given crop year is his own affair - and it must be admitted this is basically good for agriculture. A farmer once told

^{1/}The Planning Process, page 50, Government of India, Planning Commission 1963.

^{2/}Ibid., page 49.

this observer that a farm production plan is what "I have in my mind." It is true that not everything that a farmer has in his mind makes for better farming, but it is probably just as true that externally stimulated detailed village or individual planning would serve no useful purpose, at least at this time. The agricultural development of the tens of millions of farms is best served by interfering as little as possible with the farmer's calculations of how best to apportion his own, Government borrowed, or privately secured, resources, while making available to him when he asks for it technical advice on how best to use these resources. Under such conditions, he will dig his well or minor irrigation facilities by himself or together with other like-minded farmers; use his credit or his own capital to purchase the seeds, fertilizer, tools, etc., he needs where he can get them cheapest and when he needs them, while the price incentive will exert its influence on production and on smoother operation of the market mechanism. But if significant advances are to be made, a number of pre-conditions must be present. In brief, in addition to the other favorable factors, there must be a continuous availability of physical inputs of credit facilities to finance their purchase, technical assistance considerably superior to what is not available, and last but surely not least, "institutional inputs", currently in very short supply. The latter factor is discussed below.

B. Critical Factors

Institutional Inputs

88. With material investment it should not be difficult to increase the physical inputs required for increased agricultural production; better "institutional and administrative inputs" are much more difficult to secure, as India's slow agricultural growth testifies. Consisting as they do of a compound of social attitudes, they are less readily subject to change than economic factors. Moreover, they must be created by the human beings who make use of them; they can neither be bought at home nor imported from abroad. We have indicated in our Appendices IX, X, XI and XII that at present such mostly non-economic "institutional inputs" as agrarian reform, community development, cooperatives, administration and panchayats are more in tune with a subsistence type of agriculture than one of innovation and expansion. To round out the discussion of the conditions influencing agricultural development, the conclusions reached with respect to their effects on agricultural production are summarized below.

Agrarian Reform

89. It is important to emphasize that even an ideal agrarian reform program could not in itself increase production. Physical inputs are needed in India as elsewhere. But it cannot be denied, as is demonstrated by technically and financially superior "package programs", that a tenant who is insecure in his tenure and paying a high rental is not in a position to take full advantage of the available inputs. He

cannot be expected to have as high yields as owner-cultivators or tenants who are secure on their land, pay a reasonable rental and can retain the increases in output they secure from increasing inputs. Social justice and political considerations aside - for the sake of this argument only - if inputs are to be fully utilized, they must be fully available to all who would use them but who today can obtain them only partially or not at all. The degree of availability represents the difference between a good crop and just a crop. Our own investigation of the problem in the field^{1/} led us to the conclusion that the type of tenancy still prevailing in many parts of India is a disincentive to production.

90. Our own experience in many parts of Asia shows the psychological lift and economic improvements that come from land reform whether it takes the form of redistribution of land, or in the graphic language of Professor Karve that "of the famous three F's: fixity of tenure, fairness of rent and free transferability of interest, that is of any permanent improvements made by the tenants with his own resources."^{2/} The results in India in the scattered places where these conditions exist - not to speak of Japan and Taiwan - are improvement of the land, increased output and improved living standards, assuming of course the availability of at least minimum quantities of physical inputs. Only if both inputs are available on a wide scale, will agricultural production increase. The absence of one will prevent growth; clearly, there is no reason for a tenant to seek to improve his farm and increase his output if he knows that any product over his subsistence will be appropriated by his landlord, helped along by the moneylender. What this means is that unless a land tenure system is established which gives most of the peasants of India a stake in economic progress cannot be secured; capital investments, however large, cannot bring about such progress.

91. A change in the system of land-holding has effects going beyond increased agricultural production. A recent United Nations report on the effect of land reform in Mexico by a Mexican economist says the following: "undoubtedly the break-up of the hacienda was the catalyst which released and set in motion the multitude of complex forces to which Mexico owes its sustained rates of agricultural and industrial growth." More specifically:

"... it gave the rural population an opportunity for horizontal and vertical mobility; it destroyed the 'caste' system; it profoundly affected the political environment and brought the country out of the colonial impasse; it opened it up to technological progress and paved the way for the beginning of road building and irrigation programs ... Land reform gave Mexico a government with a new concern for the people and the nation. It did something more. It gave to many of the common people something they had

^{1/}Wolf Ladejinsky, Tenurial Conditions and the Package Program. Prepared for the Planning Commission.

^{2/}D.G. Karve, An Approach to Agrarian Reform, page 5. Indian Journal of Agricultural Economics, July-December, 1964.

never had: the idea of progress and personal ambition for a better future for their children."^{1/}

92. India is not Mexico, and all the effects ascribed to the land reform in Mexico need not be expected in India. Nevertheless, much of what is said about Mexico and surely the underscored passage seems applicable in India. Among other things, land reform implies a measure of social justice which cannot but promote political stability, both basic ingredients for social and economic progress. For all of these reasons, as indicated in detail in Appendix IX, India's unsatisfactory land tenure system is in urgent need of improvement as a means of solving social, political, or production problems. The three problems are interrelated and means used to solve one will help to solve the others. We pointed out above that the rising demand for new consumer goods in the Indian village was a factor favorable to development, but this factor is of little importance for the poverty-ridden tenantry, who have a "built in" apathy toward improvement. Only a change in the institutional system could gradually create new attitudes. Such change must be equivalent at least to the minimum program outlined in paragraph 89 in "Suggestions for Action", of the paper on Agrarian Reform in India. This observer is well aware how excruciatingly difficult it will be practically for the Government of India to effect a minimum program. But there is no alternative. Leaving things as they are means prolonging the life of an agricultural structure ready for the mortuary, conducive neither to efficient production, social progress nor political stability.

Community Development

93. The Community Development program was to have been the inspiration to the peasantry to increase agricultural production. This inspiration and the resulting harnessing of their own resources combined with the financial and technical assistance provided under the leadership of Community Development was to have made possible the long-awaited agricultural breakthrough. The inspiration, the arousing of a "will to develop" among the peasantry was looked upon as essential to agricultural growth. This is indicated in the statement that "unless special care is taken to educate and inspire the people to overcome their traditional inhibitions and apathy and create in them a real urge for a better life, even the most technically sound schemes for economic development may turn out to be no more than so many wasted blossoms in the dust."^{2/}

94. In Appendix X we have described in some detail the short run and permanent achievements of Community Development. On balance, however, especially in the more recent years, its spirit has wilted and its achievements have fallen far short of the great expectations aroused in its pioneering days. The main reasons, taken from the full account in Appendix X are the following. The administrative machine became unwieldy,

^{1/}Edmundo Flores, Land Reform and the Alliance for Progress, (Policy Memorandum, No.27, Center of International Studies, Princeton University, page 7. Our italics. Quoted in the United Nations Progress in Land Reform. Fourth Report, page 12.

^{2/}S.R. Sen, The Strategy for Agricultural Development, page 124.

generally inefficient and perfunctory in its relations with the villages. "Village level workers," writes one of the keenest students of the country's village needs, "were to be the par excellence agricultural extension workers at the village level," but "only a small proportion of village level workers has succeeded in fulfilling these expectations." Nor has there been any significant realization of such would-be practical ideas as "employment and production", "self-help and self-reliance", and the utilization of "local energy for the benefit of the community." The sharpest comment on the performance of Community Development as an energizer of the village in the interest of increased agricultural production was the active consideration given early this year to its abolition or alternatively to merging parts of it with the Ministry of Food and Agriculture. Its continued existence in its present form, which appears likely now, is another obstacle in the path of increased growth. If physical inputs become widely available the peasants would take them up, learning in the process how to use them better with or without Community Development's assistance. But in any calculation of its influence on agricultural production, Community Development as it is now must be regarded of limited value - unless its years of doldrums are followed by more creative years; and it will be a number of years before such a change can take place.

Cooperatives

95. The principal merits of the cooperatives are that they supply about 20-25 per cent of the rural credit and, in view of the high interest rates charged by the moneylenders, thus make an invaluable contribution; that millions of farmers depend upon them; and that whatever the criticism levelled against them they are here to stay. But their major shortcomings have a decidedly negative effect on agricultural production. Both their good and bad points are discussed at length in Appendix XI. A summary of the latter is given below. The cooperatives are poorly managed and perform poorly; many - an estimated 20 per cent - are merely paper organizations only, while others which do function, are not always genuine cooperatives; for the most part, they are controlled by the "haves" and provide credit accordingly; in a sense, therefore, it may be said that they have, if unintentionally, helped to polarize the village community rather than to reduce the existing antagonisms; they have failed to link credit with marketing, and, more important, to link to any significant degree credit with agricultural production; they have not developed internal strength and rely on the Government for the lion's share of their resources; finally, as distributors of inputs, particularly fertilizer, they have done something less than a satisfactory job. The final point, and particularly the discriminatory character of the distribution of inputs and services due to the dominance of the haves deserves more detailed comment.

96. Farmers with small holdings - roughly five acres and less - and occasionally somewhat larger holders - receive only limited supplies and

services^{1/}. The records of the cooperatives and Community Development leave little doubt on this score. This situation might be acceptable if the sole object of the provision of incentives was the 20 per cent of the farmers who provide the larger part of the marketable surplus. But this is a limited and untenable view of the goal of Indian agriculture. Prosperous farmers can, in most instances, themselves obtain credit, fertilizer, minor irrigation, and information on improved practices, if they are available. The position of the small holders is quite different. Cooperative credit is essential for them. Their inability to secure timely credit in reasonable, even if not sufficient amounts, is one of the reasons why together with "adopters" of new practices there are many "non-adopters", who produce largely for subsistence. To increase agricultural production, the number of "adopters" must be increased, and, to that end, credit and supplies must be channeled in as non-discriminatory a manner as possible. The need for non-discrimination is increased by the fact that this group of farmers does not have wide aspirations, while many are only beginning to be dimly aware of any aspirations at all. Their aspirations can be stimulated and their apathy overcome if the present failure of the cooperatives to serve them is recognized and steps are taken to improve their performance.

97. Not every shortcoming of the cooperatives can be laid at their door; the nature of the village itself has much to do with them. But whatever their causes, both minor and major shortcomings are well-known to the Government. This explains the much talked about reorganization-consolidation and the numerous suggestions for improvement. It would be too optimistic to hope that the structure of the cooperatives will be strengthened to the point where they can achieve the goals set for them by the Fourth Plan, and utilize effectively the funds earmarked for them, which are twice the amount allocated under the Third Plan. But unrelieved pessimism is not warranted either. The cooperatives simply cannot go on as in the past, but they will not disappear. There is too much at stake for the farmer and the Government of India not to make a valiant effort to improve cooperative performance, even if that involves discarding entrenched organizational and operational practices and changing attitudes towards the role of the cooperative movement in promoting agriculture. But these changes will take time, and that fact must be taken into account in weighing up the factors affecting agricultural production.

Administration

98. Enough has been said on agricultural administration and administration in general to show that it is a limiting factor of production. Yet, the fact deserves repetition in such a summary as this. It is worth repeating part of the authoritative statement made in paragraph 3 of this

^{1/}See paragraph 19 of "Community Development and Agricultural Production".
Also The Adoption of Agricultural Practices in Two Villages of Madhya Pradesh, by L.L. Hodgson and Harpal Singh. Prepared for the Ford Foundation, India. Mimeographed.

paper: "that unsatisfactory administrative and organizational arrangement was, by far, the most important single factor responsible for inadequate progress in the sphere of agricultural production." If so, great achievements will not be possible unless administration is improved. It is clear that neither in the Center nor in the States has the administrative system adjusted itself to the goals and requirements posed by the Plans. The performance of Community Development and its extension service, the panchayats and the cooperatives on the village level, and the fragmentation of the administrative machine in the Center and in the States are all evidences. The disjointedness and tendency to substitute "coordination" for administration and the absence of clear-cut authority and responsibility occur in the Center and States alike, but they are particularly felt in the States because the States have the primary responsibility for all agricultural matters.

99. We have stated repeatedly that the Indian Government is well aware of these problems and that many recommendations have been made and much effort devoted to fashion an agricultural administrative system more nearly in accord with current requirements. But "how to do it" is the question of questions. The persistent failures of the attempts to bring about change cannot be attributed to a lack of either understanding or interest on the part of the decision-makers. It is generally agreed that the causes are deep-seated. They seem to lie in Indian cultural traditions combined with the British administrative traditions, more suitable for another age. There is a school of thought that sees in the Indian administrative leadership (and in the elite in general) a certain ambivalence, with individuals and groups consisting of "two halves"^{1/}; this ambivalence is believed to explain the relative ease the Indians have in planning on the one hand and the difficulties they have in obtaining effective implementation on the other. On that theory, their approach is not conducive to:

"... patient, matter-of-fact scrutiny of situations in a mood free from preconceptions and preoccupations connected with rigid and vague principles. Without that kind of scrutiny, the sober assessment of achievements which is indispensable both to the realistic formulation of policy, its sound administration and to constructive factual assessment of achievements and shortcomings is not very likely to develop."^{2/}

A more concrete criticism is made by the noted Indian social scientist, Professor D.R. Gadgil, who says:

^{1/}Wilfred Malenbaum, Prospects for Indian Development, page 197. The Free Press of Glencoe, Inc., 1962.

^{2/}The quotation is from Dr. Edward Shills' The Intellectual, Public Opinion and Economic Development, taken from Wilfred Malenbaum's Prospects for Indian Development, page 201.

"It is obvious that the country requires personnel in the higher services recruited in much more diverse ways and from among many more diverse strata than is possible under the present system ... However, it is impossible to expect a radical change in the pattern of officer-behaviour overnight and ... there has been no overt and conscious effort made and no concrete example set to bring about such a change ..."

He sees the solutions in "hard and consistent effort ... to eradicate the inadequacies in thinking, in attitudes and approaches, and in instruments ... the real obstacles to notable economic progress in India."^{1/} The underlined phrase, together with the "ambivalence" of the leading Indian administrators of which these inadequacies may be a result, seem to us to come closest to explaining why good agricultural administration has been so difficult to attain.

100. Nevertheless, it need not be assumed that conditions that appear so firmly entrenched are likely to persist indefinitely. They will last longer and be more difficult to change in agriculture than elsewhere if for no other reason than that administration must deal in this field with 60 or so million land holders or "decision-makers". Nevertheless, there are many conditions in India today favorable to administrative change. These include the gradual spread of new scientific and technical ideas and practices; the growing criticism of the existing agricultural administration among administrators themselves, and, the unexpressed concern that its malfunctioning reflects badly on them. This criticism does not get down to root causes. But no overnight change in the system can be expected. The attitude of the administrators brings within the realm of possibility changes at certain points set forth in paragraph 49. One must assume moreover that the winds of change which are blowing in all directions in India will not leave the administrative leadership untouched. There are signs of improvement in industrial management, and, although such improvements are easier to achieve, similar improvements in agriculture cannot be ruled out. But the ineffectiveness of agricultural administration, like that of all other institutions, affecting agricultural production, will reduce the returns that can be secured from an increase in inputs and of incentives.

^{1/}From Wilfred Malenbaum's Prospects for Indian Development, pages 200-201.

IV. SUMMARY

101. The preceding section has set forth the main pluses and minuses affecting Indian agricultural production. It is not possible to attach quantitative values to institutional factors but they are very important influences on development. They can advance or retard the effectiveness of technological improvements, and their retarding influence is clearly in evidence in India. Nevertheless, barring unprecedentedly bad weather, the annual rate of growth of about 2.5 to 3 per cent can be maintained, and under the conditions set forth in paragraph 372 of the Report No.1: Agricultural Policy in India and elsewhere in the Report a somewhat increase per annum could be secured. It must be repeated, however, that this depends on the fulfillment of the specified conditions. It is instructive to recall, however, that during the 25 years between 1908-1912 and 1933-1937, rice yields in Japan increased by 16 per cent, or by 0.64 per cent per annum and that in the United States agricultural productivity increased by 22 per cent from 1900 to 1930, or by 0.72 per cent per annum^{1/}. Since the technological level of agriculture is probably lower in India than in the countries and the periods cited, the Indian rate of increase of about 3 per cent per annum was a good one. That is not to say that it was high enough in the light of India's needs and its agricultural potential. That need explains why the Fourth Plan set a growth target of 5 per cent per annum and better, over-optimistic as such a target is.

102. We have cited the recent rates of growth not to show how good Indian agriculture performance has been but merely to show that agricultural production has been increasing in India. But this is no cause for self-congratulation, since Indian agriculture has failed to meet the food requirements of the Indian people. How much production would have been increased if the institutions which were supposed to promote agriculture were not in a poor state is anybody's guess. Enough evidence has been presented however to make clear that their ineffectiveness has unquestionably prevented a significant acceleration in the rate of agricultural growth. The issue is not technology versus institutions: it is one of a parallel movement of the two, each one sustaining the other. Under such conditions agricultural improvement and rising production become a normal, non-dramatic affair, "an inconspicuous habit, a quiet routine about which one does not talk from high platforms but takes it in stride, along with living joyfully, but with purpose."^{2/}

103. The "good" and the "bad" will impinge, of course, on the ambitious Fourth Plan. The Plan projects an output of 120 million tons of foodgrains in 1970-71, the last year of the Plan; this implies a 30.4 per cent increase over the expected 1965-66 level (92 million tons), or of 5.45 per cent per annum compound, and in terms of tonnage,

^{1/}Figures taken from an unpublished manuscript, by Indian agricultural specialists.

^{2/}M.L. Dantwala, India's Food Problem, page 40. Published by the Indian Council of World Affairs, 1960.

5.6 million tons per annum. If the Fourth Plan targets are to approach achievement, every factor bearing on agricultural production must be strengthened. This is particularly necessary because the stress of the Fourth Plan will have to be on higher yields per acre. The advantage gained in the past decade or more from placing more land under cultivation will be reduced considerably. In this connection, it is of interest to note the following:

"Foodgrain production went up about 15 million tons or 26 per cent in the 1950 decade. Lele and Mellor in a recent study attribute 35 per cent of the increase to additions to unirrigated crop acreage, 22 per cent to added irrigation, 18 per cent to fertilizers and related factors and 25 per cent to the application of more labor by the growing farm labor force. The slow-down in foodgrains increase of the early sixties seems closely related to the fact that cropped acreage is no longer expanding as in the 1950s. As the 1950s drew to a close, it became apparent that increase in food production per acre would have to be accelerated. There was little more land that could come into production and there was a search for new alternatives."^{1/}

104. The conclusion that higher yields were essential for the future augmentation of agricultural production in India was the basis for the Ford Foundation's "package program". According to the Foundation, this will take some doing, for "Experience in the Package Program ... emphasizes that moving a traditional agriculture firmly away from its old ways on the road of progressive development is the most difficult and time consuming of all developmental assignments."^{2/} No one will contest this conclusion, for in the final analysis, it is the man behind the plough who implements on his holding - large or small - any program of agricultural production.

105. Although it cannot be said that all the farmers of India, or even most of them, are interested in augmenting production in order "to enlarge the size of their holdings" (Japanese motto), there is enough of this attitude in many Indian farmers to raise hopes for increased production. The 1950's demonstrated it in a number of ways, and there are signs that this cumulative if slow process is continuing both in and outside of the package program districts. The increase of land under cultivation is a sign of the process as is the shift from less to more profitable crops. Moreover, not all of the increase in production came from newly added land; two-thirds of it came from a number of inputs, which are expected to be available in larger volume under the Fourth Plan.

^{1/}The Ford Foundation and Agricultural Development in India, page 4, working draft January 16, 1965. Italics added. The cited data are from Uma J. Lele and John Mellor "Estimates of Change and Causes of Change in Foodgrain Production in India 1949-50 to 1960-61." New York State College of Agriculture, Ithaca, N.Y.

^{2/}Ibid., page 25.

Finally, properly functioning price incentives which were not available for foodgrains under the Third Plan should make a contribution. With smaller investments and poorly functioning institutional arrangements, agricultural output did expand considerably during the 1950's, even though foodgrain production registered no advance during 1961-62/1963-64.

106. A considerable rise in agricultural production is possible under the Fourth Plan provided a number of conditions are met. It is likely that the amounts proposed by the Plan for investment will be available. In view of the very poor food situation in 1963-64, there is too much at stake for the Government not to come through, or at least not to make a supreme effort to do so. On the more crucial of questions, the mood and response of the farmers themselves, we believe that sufficient numbers will react positively to the attempt to secure greater production. In addition to pockets of undoubtedly good progressive producers, there are a large, if difficult to measure group of farmers at or close to the point of exchanging apathy, lukewarmness or timidity for a measure of greater enterprise in agricultural experimentation. Finally, there is the serious problem of reasonably good direction on the part of the States of the material, human and institutional inputs. Although the importance of such technological inputs as seeds, fertilizer, irrigation, etc., has been fully recognized on all sides, the results have been far below expectations. And the failure to get the most out of these technological factors are largely institutional-organizational rather than financial.

107. If the mistakes of the past are repeated, the rate of growth may not average 3 per cent, let alone the 5 per cent and better projected by the Plan. On the other hand, if there is the "organized will", the rate of growth of 3% and better (though not five) projected by the Mission might be obtained. The Mission's major conclusion as to the potential rate of growth in agricultural production is warranted, but with the clear proviso as stated in the Report, "given adequate price incentives, supplies of inputs, attention to the research requirements of these technologies, and a constant improvement, at the hands of political and official agencies and personnel, in the institutional framework of farm policy."¹ These are the basic conditions. There are no alternative ways of stepping up the agricultural rate of growth. The tasks they imply are major, and one can only express the hope that the Government and the farmers of India will do what only they can do - forge the tools to carry them out.

¹/From paragraph 372, Report No.1: Agricultural Policy in India.

Table I: PROGRESS OF PANCHAYATS - ALL INDIA

I t e m	As on Sept.30,1957	As on March 31,1959	As on March 31,1960	As on March 31,1961	As on March 31,1962	As on March 31,1963	As on March 31,1964
1. Number of Panchayats	160,369	177,633	179,906	193,527	202,049	205,452	214,898
2. Number of villages covered ('000)	410	461	483	503	533	521	540
3. Rural population covered (million)	197.3	242.0	256.8	270.1	282.9	339.5	346.1
4. Percentage of villages covered	75	82	86	89	94	96	97
5. Percentage of rural population covered	74	82	87	91	95	97	97
6. Average number of villages per panchayat	2.5	2.6	2.7	2.6	2.6	2.5	2.5
7. Average population per panchayat	1,299	1,342	1,428	1,396	1,393	1,654	1,613

Source: Ministry of Community Development and Cooperation.

APPENDIX XIII

OFFICIAL RESOLUTION ESTABLISHING
THE AGRICULTURAL PRODUCTION BOARD

JANUARY 28, 1964

Government of India

APPENDIX XIII

(TO BE PUBLISHED IN PART I SECTION 1 OF THE GAZETTE OF INDIA)

No. 13-2/64-Estt.I
Government of India
Ministry of Food and Agriculture
(Department of Agriculture)

New Delhi, dated the 28th January, 1964.
8th Magha, 1885.

RESOLUTION

At the 20th meeting of the National Development Council, held in New Delhi on November 8-9, 1963, it was agreed that an Agricultural Production Board be constituted with a view to ensuring an integrated approach in matters of agricultural policies and programmes on behalf of the Central Government. The Government of India have accordingly decided to set up an Agricultural Production Board.

COMPOSITION:

The composition of the Board will be as under:

- (i) Minister of Food and Agriculture ... Chairman
- (ii) Minister of Community Development and Cooperation
- (iii) Minister of Irrigation and Power
- (iv) Minister of Planning
- (v) Member for Agriculture, Planning Commission

The Secretary to the Government of India in the Department of Agriculture will be the Secretary of the Board.

The Board may invite other Ministers, Secretaries or officials of the Government of India or States to attend its meetings.

FUNCTIONS:

The main function of the Board will be to bring about expeditious implementation of the programmes for the development of agriculture, including animal husbandry, forestry and fisheries. With this end in view, the Board will:

- (i) Secure effective and continuous coordination between the concerned Ministries and Departments at the Center, and between the Center and the States, in matters relating to the formulation and execution of development programs;

- (ii) review the progress of development programmes, ensure efficient arrangements for supplies and services, locate difficulties, if any, and endeavor to remove them, and
- (iii) take such other measures as would ensure speedy and effective implementation of the development programmes at the Centre and in the States.

RULES OF PROCEDURE

The Board will meet as often as necessary, generally once in a month.

Items for consideration by the Board can be suggested to the Secretary of the Board by any member of the Board or by the Secretary or Additional Secretary of his Department. For each item, there will be a self-contained note, setting out the points requiring consideration and decision.

/s/ (A.D. Pandit)
Special Secretary to the Government of India

No. 13-2/64-Estt.I

New Delhi, the

January, 1964.

ORDERED that a copy of the Resolution be communicated to all the Ministries and Departments of the Government of India, all the State Governments and Union Territories, Planning Commission, Cabinet Secretariat, Prime Minister's Secretariat, President's Secretariat, Lok Sabha Secretariat, Rajya Sabha Secretariat, Comptroller and Auditor General of India, all members of the Agricultural Production Board, Directors of Agriculture and Animal Husbandry in all the States and Union Territories, all Attached and Subordinate Offices under the Ministry of Food and Agriculture (Department of Agriculture).

ORDERED also that the Resolution be published in the Gazette of India, for general information.

/s/
(A. D. Pandit)
Special Secretary to the Government of India

Rup Dhari
23.1.1964

APPENDIX XIV

DAIRY DEVELOPMENT AS BASIS FOR
INTENSIFICATION OF AGRICULTURE AND IMPROVED
HUMAN NUTRITION

Notes by:
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All views expressed are those of the
author. (See Addendum to Part III of
main Report)

APPENDIX XIV

DAIRY DEVELOPMENT AS BASIS FOR INTENSIFICATION OF AGRICULTURE AND IMPROVED HUMAN NUTRITION

A. Animal production, human nutrition and competition of resources.

1. According to Panse, Amble and Abraham (1964), the main emphasis in drives for increased food production in India should be placed upon cereals, pulses and milk. Also important are fats, meat, eggs and protective foods such as fruits and vegetables, but it is assumed (optimistically) that some increase in production of these items will be achieved in the course of normal development (see table 1 in Panse et al.).

2. The main factors limiting increased and balanced production are intense competition for land and water resources, the lack of sufficient integration and intensification in crop and livestock production, and the dispersal of responsibility among different Departments of Government. There is little or no appreciation of the importance of land classification into land capability classes or other categories. There is no appreciation of the basic ecological balance that must at least be attempted, between soil/plant/animal/man.

3. These questions of total animal numbers, total livestock production, and competition for resources are dealt with in the early Chapters of "The Grassland and Fodder Resources of India" (Second Edition, Whyte, 1964), of which a copy will be provided at the earliest opportunity. The position may be summarized briefly with regard to sheep and dairy cattle.

4. There are some 47 million sheep in India, mostly kept in small flocks of 50 to 200 animals each, always on the move around villages or over much greater distances from arid to less arid tracts or up and down mountain ranges in the Himalaya. It is impossible to improve the grazing and feeding resources for such an industry. There are 180 million acres of so called waste land in India, plus a vast acreage of unused or semi-used natural grassland in rainfall zones unsuited to crop production and dairy development. There probably could be a great increase in the production of sheep meat (and wool) in zones receiving less than 25 or 20 inches annual rainfall, particularly in the Deccan States of Maharashtra, Andhra Pradesh and Mysore and also to some extent in Madhya Pradesh and Rajasthan. Assuming a carrying capacity of one sheep to 3 acres and a total animal revenue from an indigenous sheep of Rs.40/- it will be seen that land must be cheap and investment for improvement kept to a minimum if the industry is to remain or become economic. It is hoped (without many data yet to support it) that the return per sheep may be trebled with improved grassland management, and the selection and breeding of improved animals. Well over 50 per cent of the population of India is said to be non-vegetarian, and an increasing market for sheep meat is visualized in the new industrial area.

5. The dairy industry involves much greater competition for land and resources. At present, milk is produced by buffaloes and cows fed on concentrates and straw. There is little potential for milk production in the natural grasslands of India, as in the tropics and sub-tropics generally. Artificial pastures are out because we cannot possibly maintain control of numbers of animals grazing per acre. The supply of concentrates is becoming inadequate (and very costly) to meet the home demand and the export market. Dairy development is in competition with the poultry industry in this respect. Maintenance and the first 10 lbs. of milk from a cow may be covered by green fodder and crop residues with no concentrates. But the green fodder has to be grown on land (mostly irrigated) at present under food and cash crops. If this fodder cultivation is to be attractive and economic to the farmer, he must have good animals of a certain minimum productivity and a relatively high and regular producers' price for milk. Agriculture and livestock targets have been worked out for a number of representative milk projects in India (Whyte, Mathur and Sumitra, 1964). A study is now being made of the supply and demand position with regard to concentrates for the dairy and poultry industries and for export, assuming that dairy animals are fed (a) on concentrates and crop residues, and (b) on concentrates, green fodder and crop residues.

POULTRY

B. Distribution and organization of dairy industry

6. Dairy development is being promoted primarily in the public sector (including cooperatives), involving planning and investment by the Center in association with the States, with support from international agencies such as UNICEF, FAO, and Colombo Plan, and bilateral aid from U.S.A., Denmark, Sweden and the Netherlands. The budget for the Second Plan was Rs. 19 crores of which about Rs. 14 crores was spent. For the Third Plan (1961/66), the total budget was Rs. 35 crores, of which about Rs. 18 crores has been spent up to 1963/64; the provision for 1964/65 was Rs. 11.21 crores.

7. In the private sector, there have been investments by Polsons, Nestle, Glaxo, Hindustan Lever, Cow & Gate and other firms. The total investment involved and the planned output of milk products are not known.

8. The objectives of dairy development in the public and cooperative sector under the Third Plan are stated to be: to establish dairy projects and to provide an assured and remunerative market to the producers of milk in the rural areas and to make available milk and milk products of dependable quality and at reasonable prices to consumers in urban areas. The program envisages the organization of milk production and the establishment of milk plants on a cooperative basis as far as possible. The tempo of progress needs to be accelerated and the States have been advised by the Center that the major difficulties and bottlenecks are: (a) insufficient allocation of funds by some States, (b) absence of separate Technical Departments and inadequate numbers of trained personnel, and (c) insufficient foreign exchange to cover the cost of importing the necessary dairy equipment.

9. For the Fourth Plan period, the objectives in the public sector are:

- (a) To complete the schemes spilled over from the Third Plan (see Table enclosed), to take up more milk supply schemes and factories for manufacture of products, and to expand existing ones. Areas offering a good potential for dairy development owing to better agro-climatic conditions and other factors will be given preference so as to create dairy zones or belts. It is also proposed to set up large and small rural dairy centers. Intensive work on the production phases in selected areas is to be done through a coordinated program of dairy extension and cattle improvement;
- (b) to expand the indigenous manufacture of dairy equipment and supplies;
- (c) to undertake measures and adopt policies that may be conducive to cow development (as distinct from buffalo) - a debatable point with a political flavor - shall we maintain good buffaloes (of which the male calves may be "allowed to die") fed on poor to average feeds and fodders, giving high fat milk that can be diluted by imported skim to give a great bulk of toned or double-toned milk at a price acceptable to lower-income groups, or cows (male calves cannot be slaughtered) requiring high-quality feeds and fodders producing milk of average fat content, and hence not expandable into great and cheap bulk by dilution with imported skim?;
- (d) to achieve a rapid development of dairy cooperatives. (A Working Group on Animal Husbandry and Dairy Cooperatives has studied the problem in detail, and has made recommendations designed to ensure the rapid growth of the dairy industry in the cooperative sector - report is under consideration.)

10. A map of India showing the geographical distribution of the milk projects given in the Table will be prepared and supplied as soon as possible. Their total planned throughput and output can be provided if required but these figures are far from being achieved.

C. Intensification of agriculture based on dairy development

11. Government of India and Ford Foundation conjointly and independently are conducting some seventeen projects directed towards the intensification of agriculture for increased production. These are based upon the application of fertilizers (to the exhausted, structureless soils of India low in organic matter), the introduction of seeds of improved crop varieties, the provision of more facilities for irrigation, for pest protection and for financial credit of producers, and the preparation of modern farm plans for individual cultivators.

12. It is contended that intensification should begin with the integration of crop and animal husbandry, on the same land, involving the rotation of fodder crops (particularly legumes) with the routine food and cash crops, and the full return of animal fertility (dung and urine) to the soil. The only form of animal husbandry for which the cultivation of fodder crops is economic and competitive in return and profit per acre with food and cash crops is dairy husbandry, provided the animals give a sufficient yield of milk to justify the expenditure.

13. The existing projects of intensification of agriculture should therefore be surveyed to discover which of them provide the necessary agro-climatic conditions for dairy development. A milk plant or a chilling center for an existing milk plant in the vicinity should then be provided, so that the market incentive may be available to stimulate the creation of an economic form of animal husbandry based on milk. Existing forms of animal husbandry, such as the rearing of draught animals in the Ford Foundation project at Mandya in Mysore State should be progressively eliminated from the area of intensive development, in favor of milch animals.

14. Conversely and progressively, all milk procurement areas around major milk plants should be taken up as areas of intensive agricultural development, so that crop husbandry and animal husbandry may be fully integrated and made of maximum joint efficiency, to the lasting benefit of both forms of production from the land.

15. The application of fertilizers to soil that has been provided with a basic fertility and structure in this way will then produce a much greater increase in crop yields, and plant breeders will be hard put to it to produce quickly new crop varieties capable of responding to such conditions of high fertility and high farming as have not been seen in India before.

D. Production targets and action programs

16. Agricultural and animal production being State subjects, it will be necessary for them to define the targets of production to be achieved in different districts of the State, and to provide the necessary guidance and incentives to farmers to achieve that production. The individual State efforts should be coordinated at the Center. At both the Center and in the States, there is almost complete lack of coordinated effort - rather the opposite, rivalry and antagonism - between the Departments and Advisers concerned with the different aspects of land use. An agriculturist does not accept the fact that he needs animals in his farming systems, and an animal husbandman keeps talking about natural grasslands and artificial pastures without realizing the great contribution productive animals can make to the basic fertility and productivity of the soils of India. To both of these forest land is fair game, to be encroached upon more and more, so that the area is reduced even lower, far below the figure known to be safe for soil and water conservation and the reduction of desiccation.

17. Having defined production targets based on a balanced system of land use, it then becomes necessary to formulate action programs. The individual items in such a program for the dairy industry are given in the document, "Agricultural Criteria for Dairy Development", Part 4. The approach to a new land use basis for the sheep industry is given in the document (Report of visit to Australia, October/November 1964) already provided.

18. A 5-year project (\$1.5 million from U.N. Special Fund and equivalent of \$3.5 million in rupees from Government of India) planned on the principles of fodder production for the dairy industry outlined above will commence operation in 1965, with F.A.O. as the Executing Agency. It is based upon the evolving regional structure of the Indian Grassland and Fodder Research Institute, with its headquarters at Jhansi, Uttar Pradesh.

19. Most of the Indian and international technical personnel will for the first three years be working at one of the regional Stations, at Karnal, Punjab; Haringhata, W. Bengal; Ahmedabad, Gujarat; Hyderabad, Andhra Pradesh; and Madras/Madhavaram, Madras State. All these Regional Stations and also a number of Substations are being located in or near major milk procurement areas.

20. It shall be the responsibility of the technical personnel to achieve agricultural targets which have been or will be worked out for each milk procurement area. The land at the Regional and Substations will during the initial period be used primarily for the production of seed and planting material of the locally adapted fodder crops. Everything possible will be done to promote fodder production on farmers' fields and other lands in the milk procurement areas, so that, provided a sufficient number of animals of the required productivity are made available, the milk will flow. When the initial period of three years of intensive demonstration and operational research is over, the emphasis will change to research. There is no doubt that the initial years will throw up many problems requiring research of a practical and fundamental nature.

21. But during this period 1965/70, the human population of India will increase by another 70 million, from 470 million to 540 million. Already the emphasis in agricultural policies of Center and States is on greater production of food grains, which are in short supply even now. Time and the geometric curve of population increase are against us. Will it be possible to obtain the targets of hectares of cultivated fodder crops on land that will have to be released from the production of food and cash crops? Is it too late to prove and apply the concept of intensified production put forward in this paper? A tremendous effort will still have to be made, but during these five years India may have to cross the threshold from a system characterized by the inefficient conversion of plant foods into animal proteins, particularly through bovines, to a system of agriculture and human nutrition based primarily on the production and utilization of foods of plant origin for direct human consumption.

22. The possible magnitude of financial investment in the sheep project is given in the relevant document.

23. The need of foreign exchange for milk plant machinery and equipment has been mentioned, but there are many who say let's get the plants already built or now in course of construction operating nearer capacity before we start any more schemes. The great effort now has to come in the production phases. No doubt a figure for investment in various parts of such a program could be worked out on a theoretical basis, but the great shortage is not in funds but in trained personnel in all fields and at all levels.

List of dairy schemes in public sector in operation and being established

I. 28 dairies in operation	II. 19 dairies being set up	III. 13 pilot milk schemes in operation
C 1. Gaya C 2. Bhagalpur 3. Ahmedabad 4. Gondal 5. Bhavnagar C 6. Anand 7. Srinagar C 8. Trivandrum C 9. Coimbatore C 10. Kodaikanal C 11. Guntoor C 12. Kurnool 13. Madras 14. Kudige 15. Bombay (Worli) 16. Poona 17. Bhopal 18. Cuttack 19. Chandigarh 20. Hissar C 21. Lucknow 22. Agra 23. Calcutta 24. Delhi 25. Agartala C 26. Calicut 27. Bangalore 28. Jaipur (11 cooperative milk unions)	1. Vijaywada * 2. Patna * 3. Ranchi 4. Durgapur * 5. Surrendernagar * 6. Jamnagar C * 7. Ernakulam * 8. Visakhapatnam C * 9. Nellore C * 10. Trichinapalli C * 11. Nanjalnad C * 12. Chittoor C 13. Madurai C * 14. Baroda 15. Indore C 16. Kanpur C 17. Dehra Dun C 18. Bareilly C * 19. Palghat (11 Cooperative milk unions)	1. Hyderabad 2. Gauhati * 3. Nagpur * 4. Aurangabad * 5. Kolhapur * 6. Sholapur * 7. Nasik * 8. Akola * 9. Amravati * 10. Jubalpur 11. Dhulia 12. Mandi 13. Nahan
IV. Six milk schemes - Preliminaries in hand	V. Milk products Factories - Started	
1. Darbhanga C 2. Surat 3. Bhadravati C 4. Kottayam 5. Ludhiana 6. Hubli Dharwar (Two cooperative milk unions)	1. Amritsar 2. Barauni 3. Aligarh 4. Rajkot (Two cooperative factories)	C * 1. Anand C * 2. Mehsana * 3. Junagadh 4. Miraj

* Expected to be completed by 1964-65
 C Cooperative milk unions

APPENDIX XV

SOME POINTS ON POULTRY INDUSTRY
POTENTIAL IN INDIA

Notes by:
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All views expressed are those of the author.
(See Addendum to Part III of main report.)

APPENDIX XV

SOME POINTS ON POULTRY INDUSTRY POTENTIAL IN INDIA

BACKGROUND

1. Official figures for 1961 census indicated 44 million layers and a similar number of meat birds in the country. Production was assessed at 240 million dozen eggs - a comparable level to total output all sources in Australia. The overall value of the industry for eggs and meat only, without investment and employment, was estimated at over 6 crore rupees or £ 60 million (Aust.). The overall production figures gave approximately 6 eggs per head of population in India. The average lay of about 65 eggs per bird per year is due to about 95% of birds being of desi type, balance only being birds of imported type. (This appears a low efficiency in terms of egg numbers, and for commercial operations is definitely so when applied to city units, but in many country areas this level gives a high economic return - as no costs are involved with birds on good range when in limited numbers - hence a different approach applies in various parts of the country.)

POTENTIAL EXPANSION BASIS

2. Figures have been published by Government, and for U.N. Projects, indicating a potential requirement of 100,000,000,000 (one lakh million) eggs and 1,000 million lbs. of poultry meat to supply approximately 180 eggs per year per head of population. As indicated in the attached (Appendices A and B for varying levels of production) assessment of poultry feed ingredients available, also in the light of needs of the livestock industries, and human needs for grain plus the extremely limited purchasing power available, this figure is considered completely unrealistic and quite impossible of achievement in the light of technical knowledge of the present time. Such a production level would, for example, be 50% more than the output of the U.S.A. egg industry, and would require approximately 25,000,000 tons of grains out of a total production in the country of 80-90 million tons. Further there would not be sufficient ingredients for the balance of ration needed; for example 7,500,000 tons of concentrate would be required. The itemized feed requirements are given on the attached Appendices A and B and it would appear that the limit likely to be attained is - and that only after a considerable period is 50-60 eggs per head of population - less than one third of the above. The target of 25-30 eggs for the first stage is estimated as possible within the the Fourth Five-year Plan period.

ACTION WHICH HAS BEEN TAKEN

3. The Government of India has initiated many schemes to aid the expansion of the industry including provision of incubators, expansion of government farms to provide feed and stock, some advisory staff and loan facilities, etc. Also outside countries have aided with introduction of poultry equipment and stock. For example overseas private poultry breeding establishments have been set up in the country, and breeding stock imports have also been made (30,000 chickens through T.C.M. in 1958) and 20,000 likely to come from Australia under FFHC during 1965/67.

4. A major U.N. contribution in poultry is included in the Applied Nutrition Program and the Freedom from Hunger Campaign Poultry Projects. For example 2,000,000 incubator capacity in these, and sufficient feed mixing equipment to mix, when fully developed, a total quantity of feed comparable to that used by Australian egg industry, indicates its scope. However, this is still small in relation to needs when it is realized that 1,000,000 incubator capacity is needed to produce stock to provide for 1 more egg per head of population per year, and that the above feed mixing facilities would only cover needs for birds to produce 6 eggs per head of population per year. (A side issue of great importance to agriculture is the by-product of poultry. The deep litter fertilizer value in this country can make poultry economic in villages besides making possible the production of the extra grain they use when feed contains the desirable 33% grain only. This is covered in the technical literature produced.)

FURTHER MOVES SUGGESTED AS REQUIRED

5. Equipment is a major requirement, but under the U.N. project, local manufacture has been directed and encouraged. This should make possible for the production of needs such as incubators, brooders and feed mixers to be met within the country. Outside assistance in way of cold storage equipment and aids for marketing facilities may be required. The establishment of semi-governmental bodies such as corporations to make loans to aid private operation provide feed supplies and advisory services etc. could be of considerable help, as the private sector can be expected to "come up" if the government can provide this plus a marketing service. The financing of such a corporation set-up could possibly be through coarse grain supply rather than funds. This is prompted by the present feed crisis stage as it would give an immediate sound economic basis. This is for the reason that it could be included in the feed rations at a price based on normal grain levels - to make economic production possible while at the same time providing a revolving funds from the sale of the feeds on no profit no loss basis which would provide a continuing basis. Each 20,000 tons of grain, on world parity basis would provide approximately \$1,000,000 within the country. The quantity of such grain, or level of such support, in part, and could be assessed against the figures given for needs in the attached appendices A and B. As an example of how effective a grain contribution can be in aiding expansion and providing animal protein in the country, Appendix C covers an FFHC project at Babugarh linked with WFP.

6. The need for other ingredients also arises. For example, expansion of fish-meal production and some exploitation of the possibilities of meat-meal production could be of tremendous help - as these could make up the entire protein needs in rations rather than in conjunction with vegetable protein also sought after the cattle concentrates etc.

CONCLUSION

7. General support basis to speed the normal expansion which has been going on (although arrested at the moment due to feed cost and supply difficulties) which it is thought could be of help would thus be (a) aid on facilities for marketing such as cold storage, egg fillers production needs etc. (b) support to a revolving fund approach through coarse grain supplies to establish corporation basis to aid the private sector through semi-government basis (c) some suggestions on the need for additional field advisory staff. Not research work, but straight extension operation on advice to the poultry keepers. The Babugarh Farm, linked with Australia, is designed to demonstrate needed simple techniques for training officers. The literature now available also stresses the needed simple approach. Assessment of general needs is contained in the attached appendices A, B and C for further information.

Some comments on feed requirement and market
potential influence on future egg production
possibilities in India

by

Allan A. McArdle
FAO Poultry Production Adviser

INTRODUCTION

Calculations of desirable levels of egg production in India have been published which do not appear to fully consider the problems involved with related aspects for production and disposal of the eggs.

A target of 180 eggs per year per person in India is an ideal nutritionally, but facts in relation to mammoth output required must be faced. The present production of about 6 eggs per head matches the entire output of Australia, and 120 eggs per head would equal the output of the U.S.A. egg industry.

Feed requirement for poultry in India

To meet a target of 50-60 eggs per person per year - half way between the figures cited above for Australia and USA - would require an estimated 11,000,000 tons for feed for 2,000,000 tons of eggs - and poultry meat. (Equipment would also be an item but should eventually be overcome by the efficient local manufacture - which is coming up - although a major task, as it needs for example, incubator space exceeding 1,000,000 eggs capacity to hatch sufficient stock to provide sufficient stock to produce one more egg per year for the population.) The quantity of feed indicated does not, however, represent this weight in grains, as in India; available, up to a level possible enough to match the above need, are by-products such as fishmeal, groundnut meal, coconut and linseed meal etc. plus a very considerable quantity of rice bran, and some wheat bran, even after allowance for consumption by cattle etc. These ingredients can make up 60% to 75% of the total feed - which means that only 3,000,000 to 4,500,000 tons of the 11,000,000 tons need be of various grains. An itemised appraisal for this feed is attached (Appendix A). Even this quantity of grain could be covered if the 250,000,000 birds required (as only working on 100 eggs annual average per bird in view long upgrading program needed) should, if efficiently kept on deep litter, produce about 6,000,000 tons of valuable deep litter fertilizer. As each ton can, under favorable conditions, produce up to an extra ton of grain per acre, then the increase required of approximately $\frac{1}{2}$ ton per acre extra - to balance

the grain used in the feed - could be feasible. Accordingly the grain supply factor may not be a problem if handled correctly, and in any case, the conversion of this quantity of grain for the high equivalent of animal protein products is sound.

(An itemized basis for 25-30 eggs for half the quantity of eggs and feed is also attached for information - Appendix B.)

The market potential

The market of 450,000,000 people appears to be considerable. However, the average income of the population has been indicated as in the vicinity of less than Rs.1 per day or under Rs.7 per week.

The cost of egg production under commercial conditions in India requires a return of about Rs.2/- per dozen for a reasonable economic margin - although half this price may show a favorable balance under village backyard production conditions, particularly in view of the value of the deep litter. In some city areas at present stage of progress the price exceeds the Rs.2/- indicated by a considerable margin.

This assessment indicates that a very small percentage of people only can buy a reasonable quantity of commercially produced and priced eggs. Various estimates have placed the percentage at from 5% to 10% of the total population. This would be from 22,000,000 to 45,000,000 people which although a considerable market, does not give basis for a high overall commercial production figure - as in developed countries only a very small percentage of the wage earners income is spent on eggs (Approximately 1%-2%). (The figure above refers to the buying public for commercial output, and does not include the potential village market from backyard units with much lower production cost. This output can be very considerable in a country such as Australia, for example 40% to 50% of eggs consumed are produced in backyard units.)

CONCLUSIONS

The gap between desirable production and attainable levels of egg production appears very considerable in India with grain supply - a major restricting factor, as in view of human demands grain use can only be justified for poultry-feeding use here, when by-products can form a high percentage - approximately two-thirds - of the ration. Supply of these is limited by production of the ingredients of which they form a part but it appears that a sufficient quantity may be available to make possible the production level of up to 50-60 eggs per head of the total population.

As suggested above, the ability to purchase large quantities of eggs does not exist throughout the country because of the average level of income, hence backyard approach is considered the only economic possibility in village areas, but where adjacent to a large town or city buying power does exist for commercial type operation to the extent indicated.

The overall consideration of the points raised, coupled with assessment of the figures given for feed quantities required, indicates that a more realistic appraisal of likely production levels appears called for. However, an annual production of 25-30 eggs per head of population represents a 400% increase on present production - which appears within practicable range in reasonable time - say 4 years - with the various schemes being implemented by the Governments assisted also by various aid programs. It may be possible at a later stage to attain 50-60 eggs - 800% increase on present production. Accordingly, marked production increase is possible, but should perhaps be considered on percentage basis rather than total per head.

FOOTNOTE

A production level of 150-180 eggs per head of population on similar feed usage basis to that quoted above would require approximately 33,000,000 tons of poultry feed. By-products are not estimated to be available beyond sufficient for the much lower level of production indicated of 50-60 eggs per head, hence this increased level could be expected to require nearly 25,000,000 tons of grains in the total feed, apart from the other needed portions which may be in very short supply.

Further, if the figure of 300-360 per head, which has been mentioned on occasion was to be attained it could in turn call for about 66,000,000 tons of feed of which over 50,000,000 tons could be expected to be grains per year. This, of course, is quite impracticable in view of total grain production available in India. (Even if the total egg production per bird, by greatly increasing efficiency, was raised to a marked extent, thus reducing the number of birds needed, it would still require between half and two-thirds of this huge quantity. Also the purchasing power factor would, of course, be another tre

In addition, in view of the demands of other livestock industries, and the need to achieve balance between these and egg production in relation to human nutritional needs - it becomes even more evident that realistic appraisal has to be made of the basis upon which per capita figures can be quoted for eggs in India.

APPENDIX A

APPROXIMATE POULTRY FEED REQUIREMENTS TO PRODUCE 50-60
EGGS PER HEAD OF POPULATION PER YEAR - IN INDIA

(Covering the main protein and energy ingredients plus vitamins)

This refers to birds being fed - and would exclude birds living by foraging in villages (which might increase this production figure by 10% to 15%).

Each million birds require approximately 50,000 tons feed per year. A production of 50 to 60 eggs per head of population would require about 250,000,000 birds (when producing an average of 100 eggs per bird - based on part improved, part upgraded and part desi stock).

FISHMEAL:

Would require about 375,000 tons at 3% level required as minimum in the feed. The fishmeal could be replaced entirely or in part by meatmeal if available.

GROUNDNUT MEAL:

Would be required at approximately 3 times (9% to 10% in feed) level of fishmeal to balance the poultry feed. The required quantity would be about 1,125,000 tons groundnut meal. This is a suitable and efficient level - it has been included in poultry feed in India at much higher percentages but this is not needed. Where short in supply, or costly, it can be replaced in part by coconut, or linseed, or sesame meal, etc.)

LUCERNE OR CLOVER OR GRASS OR LEAF MEAL:

At 5% level approximately would require 500,000 tons (but about 1,000,000 tons if 10% level in feed). Alternatively green feed would be given to the birds in wet form in place of this, but the meal is desirable and may be used in the future.

BONE MEAL:

At approximately $1\frac{1}{2}\%$ in feed (average content) = 150,000 tons annually.

VITAMIN SUPPLEMENT:

(When each half pound contains 487,500 units vitamin A, 90,000 units vitamin D3 and 150 milgrm. vitamin B2.)

The requirement would be about 40,000 tons supplement annually at $1\frac{1}{3}\%$ to $1\frac{1}{2}\%$ average level in total feed.

MANGANESE SULPHATE:

3,000 to 5,000 tons as annual requirement.

GRAINS AND BRAN:

4,500,000 tons of grain of various types and 4,500,000 tons of bran (principally rice bran) or if in varied proportions could possibly be 6,000,000 tons bran and 3,000,000 tons grain = 9,000,000 tons grains and bran. (The efficient use of rice bran is a key factor in saving on grains for use with poultry.)

SUMMARY OF TOTAL ANNUAL REQUIREMENTS OF FEED FOR LAYING BIRDS:

To produce 50-60 eggs per year per head of population (2,250,000,000 dozen eggs), the total approximate needs (for 250,000,000 layers based on only producing about 100 eggs per bird as overall average) could be

	(	1,125,000 tons groundnut meal (replaceable in part by coconut, linseed or sesame meal etc.)
	(	
	(	500,000 tons lucerne or clover or grass meal
	(	
PART 'A'	(	375,000 tons fishmeal (or part replacement by meatmeal)
	(	
	(	150,000 tons bonemeal
	(	
	(	40,000 tons vitamin supplement (with vitamins A, D3 & B2)
	(	
	(	5,000 tons manganese sulphate

PART 'B'	(4,500,000 tons grains (various and reject) <u>or</u> 3,000,000
	(4,500,000 tons brans (rice and wheat) <u>or</u> 6,000,000

The total feed (in round figures) would be about 11,000,000 tons (with only 3,000,000 to 4,500,000 tons of this being grains as made up of about 50%-75% of by-products).

Concentrate portion would make up about 2,250,000 tons (Part A), and the balance (Part B) would be the Grains and Brans - about 9,000,000 tons.

This feed quantity could be expected to produce between 1½ and 2 million tons of eggs and about 500,000 tons poultry meat.

Note:

If higher efficiency level of production per layer - say 12½ dozen per head - then 180,000,000 birds only would be needed, with an estimated 8,000,000 tons feed required for the same output of eggs and meat.

The above figures give a basis for the needs which must be kept in mind for a given level of egg production in the country, apart from economic purchasing power for eggs. However, the efficiency of conversion for grain used is high, when it is considered that 50%-75% of the feed can be of by-product type, so that approximately 1 lb. of grain used can produce 1 lb. of eggs or meat (when the production level per bird is reasonably efficient).

FOOTNOTE:

A production level of 50-60 eggs per head of population represents 8 times the figure for egg production in India given in the last census.

APPENDIX B

APPROXIMATE POULTRY FEED REQUIREMENTS TO PRODUCE 25-30 EGGS
PER HEAD OF POPULATION PER YEAR - IN INDIA

(Covering the main protein and energy ingredients plus vitamins)

This refers to birds being fed - and would exclude birds living by foraging in villages (which might increase this production figure by 10% to 25%).

Each million birds require approximately 50,000 tons feed per year. A production of 25 to 30 eggs per head of population would require about 125,000,000 birds (when producing an average of 100 eggs per bird - based on part improved, part upgraded and part desi stock.)

FISHMEAL

Would require about 187,500 tons at 3% level required as minimum in the feed. The fishmeal could be replaced entirely or in part by meat meal if available.

GROUNDNUT MEAL:

Would be required at approximately 3 times (9% to 10% in feed) level of fishmeal to balance the poultry feed. The required quantity would be about 562,500 tons groundnut meal. (This is a suitable and efficient level - it has been included in poultry feed in India at much higher percentage but this is not needed. Where short in supply, or costly, it can be replaced in part by coconut, or linseed or sesame meal etc.)

LUCERNE OR CLOVER OR GRASS OR LEAF MEAL:

At 5% level approximately would require 250,000 tons (but about 500,000 tons if 10% level in feed). Alternatively greenfeed would be given to the birds in wet form in place of this, but the meal is desirable and may be used in the future.

BONEMEAL:

At approximately 1½% in feed (average content) = 75,000 tons annually.

VITAMIN SUPPLEMENT:

(When each half lb. contains 487,500 units vitamin A, 90,000 units vitamin D₃ 150 mlgrm. Vitamin B₂.) The requirement would be about 20,000 tons supplement annually at 1/3% to 1/2% average level in total feed.

MANGANESE SULPHATE:

1500 to 2500 tons as annual requirement.

GRAINS AND BRAN:

2,250,000 tons of grain of various types and 2,250,000 tons of bran (principally rice bran) or if in varied proportions could possibly be 3,000,000 tons bran and 1,500,000 tons grain = 4,500,000 tons grains and bran. (The efficient use of rice bran is a key factor in saving on grains for use with poultry.)

SUMMARY OF TOTAL ANNUAL REQUIREMENTS OF FEED FOR LAYING BIRDS:

To produce 25-30 eggs per year per head of population (1,125,000,000 dozen eggs). The total approximate needs (for 125,000,000 layers based on only producing about 100 eggs per bird as over all average) would be about -

562,500 tons groundnut meal (replaceable in part by coconut
linseed or sesame meal etc.)
(250,000 tons lucerne or clover or grass meal
(187,500 tons fishmeal (or part replacement by meat meal)
(75,000 tons bonemeal
PART 'A' (20,000 tons vitamin supplement (with vitamins A, D₃ and B₂)
(2,500 tons manganese sulphate

(2,250,000 tons Grains (various and reject) or 1,500,000
PART 'B' (2,250,000 tons Brans (rice and wheat) or 3,000,000

The total feed (in round figures) would be about 5,500,000 tons (with only 1,500,000 to 2,250,000 tons of this being grains, as made up of about 60% - 75% of by products). Concentrate portion would make up about 1,125,000 tons (Part A) and the balance (Part B) - would be the Grains and Brans - about 4,500,000 tons.

This feed quantity could be expected to produce between 3/4 and 1 million tons of eggs and about 250,000 tons poultry meat.

Note:

If higher efficiency level of production per layer - say 12½ dozen per head - then 90,000,000 birds only would be needed with an estimated 4,000,000 tons of feed required for the same output of eggs and meat.

The above figures give a basis for the needs which must be kept in mind for a given level of egg production in the country, apart from economic purchasing power for eggs. However, the efficiency of conversion for grain used is high, when it is considered that 60% - 75% of the feed can be of by-product type, so that approximately 1 lb. of grain used can produce 1 lb. of eggs or meat (when the production level per bird is reasonably efficient).

FOOTNOTE:

A production level of 25-30 eggs per head of population represents 4 times the figure for egg production in India given in the last census.

APPENDIX C

A POSSIBLE LEAD TO RESULTS FROM IMPORT OF GRAIN UNDER W.F.P. IN
SELECTED AREAS OF INDIA

Estimate for Potential Return from 2,000 tons WFP maize made
available for Babugarh Poultry Farm Project India (1965/66)

This is the main farm of the 15 units to be established under FFHC Poultry Project No. 1. This link with WFP makes it a pilot project - and it is linked also with Applied Nutrition Program. The farm is supported by Australia as donor with stocks/funds and equipment, while Government has built the sheds and supplies all staff and facilities.

The 2,000 tons maize makes possible the mixing of 4,000 tons of poultry feed - of which it comprises 50% (Formula given at p.41 - "Poultry Supplement" "A Guide for Poultry Keepers in India"). The balance of the ingredients are supplied by the Government. The feed is sold on no profit/no loss basis, and the WFP grain is charged up in the ration on basis average 3 years' harvest price.

Should enable 30,000 layers to be raised and fed per year for 2 years (and 30,000 cockerels per year to be produced).

This in turn should result, as improved type stock will be hatched at Babugarh Farm, in the production of approximately 1,000,000 dozen eggs in 2 years and 120,000 meat birds (50% cockerels and 50% layers) representing 1,600 tons of needed animal protein for people - from 2,000 tons of grain supplied.

The value of this should be Rs. 2,000,000 for eggs and Rs. 600,000 for meat.

300 farmers with 100 layers each should be able, on normal price levels for eggs, to show a profit of about Rs. 1,000 per year each after expenses - a total of approximately Rs. 600,000 with this reasonably priced balanced feed available.

The combined production value, plus profit to small farmers, should exceed Rs. 3,000,000.

This represents the return for 2,000 tons WFP maize valued on Indian 3-year average harvest price basis at approximately Rs. 700,000 (and approximately two-thirds at world price basis) apart from Government contributions of buildings, staff and feed balance. This appears an encouraging lead for such projects run on efficient basis.

In addition, this gives a revolving fund of Rs. 700,000 to be used for extending the scheme by the Government beyond the 2 years period, which is return on their investment in the project. This fund enables them to supply feed on a continuing basis, purchasing from local sources after initial period.

FOOTNOTE

As Babugarh Farm is linked with A.N.P. also, all equipment needed for feed distribution is on hand ready for connection. FFHC equipment from Australia will be delivered later, and will then replace or be used on the other units under this project.

CONCLUSION

The combined production potential value appears a very high return for WFP investment - even if full potential not attained. The direct return for the maize would be half of the total as 50% of feed ration cost, which equals Rs. 1,500,000, is the return for under Rs. 500,000 cost of grain on world basis. Further to this, if maize was included at only 40% level in the feed - which is technically sound (50% was adopted to suit the preference of the Department at this stage) then comparable output of eggs and meat - in this case 1,600 tons of animal protein for 1,600 tons grain supplied, but the revolving fund would be reduced to approximately Rs. 500,000. Accordingly, this type project may have a potential for expansion into other areas in India - with grain introduced instead of funds to assist development by creating a revolving fund to support continued operation.

Additional Note in Reply to Questions Raised by Sir John Crawford

Following points raised by you in discussion of 19-2-65 suggest the following brief basis, in combination with material previously given, may be of help in providing the desired information.

The provision of coarse grains has been suggested to enable stabilization of poultry feed prices to make possible expansion, in Fourth Five Year Plan, of poultry numbers. A basic maximum price of Rs. 44/- per quintal is needed in relation to normal egg price levels. The grain provision would need to be on sufficient scale to enable corporations to be built up throughout the country. To provide a \$10,000,000 backing for these 175,000 tons of coarse grain ("maize" or "corn") is suggested.

The corporation(s) would be on lines of those already operative in India for other purposes. Its function - as a semi-governmental body would be to provide:

- (a) Finance to intending poultry keepers in form of balanced feed, funds for housing construction and purchase of stock. The loans to be recouped from sale of produce.
- (b) The corporation(s) would supply the balanced feed at sufficient margin to cover operating costs of that section only (and the maize portion supplied from overseas would give the necessary revolving capital for all needed purposes within the framework envisaged as needed).
- (c) The corporation would carry out marketing of the eggs and poultry. (Accordingly, it would cover all the needs of finance in initial stages, feed supply and marketing - together with extension advice to the poultry keepers.)

Foreign personnel not envisaged as needed as local officers can carry out the above functions. Knowledge of techniques is available in the country.

Foreign exchange would be desirable for:

- (a) Refrigeration equipment for cold storage centers - motors and compressors only needed.
- (b) A few small self contained feed mixing plants of 3 or 4 ton mix capacity.
- (c) A plant for production of egg fillers (Keys type)
- (d) Exploratory moves on desirability of fishmeal production expansion.

Other equipment needs can be produced within the country. A reliable estimate cannot be given for items (a), (b), (c) and (d) and cannot be submitted at this stage but to be under \$500,000 to have a significant effect.

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