“IFAP / AGRICORD TECHNICAL MEETING”
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Presentation Made By
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On

FINANCIAL SERVICES TO FARMERS

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FINANCIAL SERVICES PLAY VITAL ROLE IN FARMING SECTOR. COOPERATIVES EXTENSIVELY CATER TO THE CREDIT NEEDS OF AGRICULTURE. WHEN THE COOPERATIVES FAIL TO FUNCTION AS COOPERATIVES, THE CREDIT FLOW WILL BE CHOCKED AND FARMERS FACE INNUMERABLE PROBLEMS. THIS CASE IS PRESENTED TO HIGHLIGHT THE ROLE PLAYED BY COOPERATIVES IN PROVIDING FINANCIAL SERVICES TO FARMERS AND AS TO HOW POLITY EROSION INTO AUTONOMY OF COOPERATIVES CRIPPLED THE COOPERATIVE MOVEMENT.

IN INDIA THE AGRICULTURAL CREDIT IS PROVIDED TO FARMERS BY NATIONALIZED COMMERCIAL / PRIVATE / REGIONAL RURAL BANKS AND COOPERATIVES. THE FOLLOWING ILLUSTRATION EXHIBITS THE DECLINING TRENDS OF COOPERATIVES SHARE, WHEN THEY ARE CRIPPLED WITH MULTIPLE PROBLEMS.
<table>
<thead>
<tr>
<th>YEAR</th>
<th>TOTAL AGRI CREDIT</th>
<th>COOPERATIVES</th>
<th>COMMERCIAL / SCHEDULED / PRIVATE BANKS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>AMOUNT</td>
<td>SHARE</td>
<td>AMOUNT</td>
</tr>
<tr>
<td>1992-93</td>
<td>151.69</td>
<td>62%</td>
<td>57.91</td>
</tr>
<tr>
<td>1997-98</td>
<td>319.56</td>
<td>44%</td>
<td>179.81</td>
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<tr>
<td>2000-01</td>
<td>527.44</td>
<td>39%</td>
<td>320.26</td>
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<tr>
<td>2001-02</td>
<td>620.45</td>
<td>38%</td>
<td>385.21</td>
</tr>
<tr>
<td>2002-03</td>
<td>695.60</td>
<td>34%</td>
<td>459.24</td>
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- All the nationalized commercial / private / regional rural banks put together contributed only 38% towards agricultural credit during the year 1992-93.
- The cooperatives alone contributed 62% during the year 1992-93.
- Just in 10 years period the trend is reversed. Commercial banks share is increased to 66% & cooperatives share declined to 34%.
- 66% share of commercial / private / regional rural banks during the year 2002-03 cover only 16.4 million rural credit accounts. These banks cater to the needs of big farmers.
- 34% share of cooperatives cover 63.9 million rural credit accounts. Cooperatives are accessible to small and marginal farmers and hence inevitable.
FACTORS RESPONSIBLE FOR IMPAIRMENT OF COOPERATIVES ARE AS FOLLOWS:

- POLITY EROSION INTO AUTONOMY OF COOPERATIVES
- REGULATORY AGENCIES INTERFERENCE INTO DAY TO DAY ADMINISTRATION OF COOPERATIVES
- NON CONDUCT OF ELECTIONS FOR LONGER PERIODS
- NON STAKEHOLDERS DOMINATION IN THE MANAGEMENT
- INDISCRIMINATE AND UNAUTHORIZED STAFF APPOINTMENTS
- INDISCRIMINATE ENHANCEMENT OF WAGES TO STAFF WITHOUT RELEVANCE TO NETWORTH AND NET PROFIT OF THE COOPERATIVES
- FAILED GOVERNANCE OF REGULATORY AGENCIES
- POOR AUDITING AND ACCOUNTABILITY
- NON IMPLEMENTATION OF RECOMMENDATIONS OF VARIOUS COMMITTEES FOR STRENGTHENING COOPERATIVES
- ACCUMULATION OF OVER DUES DUE TO NATURAL CALAMITIES
- IMPOSITION OF PRUDENTIAL NORMS ON COOPERATIVES BY RESERVE BANK OF INDIA (RBI) RESTRICTED THE BORROWING POWER OF COOPERATIVES
- GOVERNMENTS' INTERVENTION IN RECOVERY OF LOANS
- MIS-APPROPRIATION AND EMBEZZLEMENT OF FUNDS
- LOOSE PENAL PROVISIONS TO DEAL WITH OFFENDERS
- POOR MANAGEMENT INFORMATION SYSTEM (MIS)
PROBLEMS CONFRONTED BY FARMERS IN MARKETING THE PRODUCE

➤ MARKETS ARE MANAGED BY COMMITTEES NOMINATED BY GOVERNMENT WITH LOCAL POLITICIANS AND TRADERS AFFILIATED TO THE POLITICAL PARTY IN POWER

➤ NO PROPER ACCOUNTING OF ARRIVALS AND SALES OF PRODUCE

➤ DEFECTIVE PRODUCE WEIGHING DEVICES

➤ LABOUR DOMINATION IN MARKETS, RESULTS, EXCESS EXPENDITURE AND WASTE OF PRODUCE

➤ TRADERS FORM A RING AND FORCE THE FARMER FOR DISTRESS SALE

➤ NO INSTANT PAYMENT IS MADE FOR THE PRODUCE SOLD IN THE MARKETS

➤ NO PROPER STORAGE & COLD STORAGE FACILITIES
NO FACILITIES FOR PRODUCE PLEDGE LOANS

COMMISSION ON SALES IS COLLECTED OVER AND ABOVE THE NORMS FIXED BY GOVERNMENT

NO OFFICIAL RECEIPTS ARE ISSUED FOR THE COMMISSION COLLECTED

CESS COLLECTED OUT OF SALES NOT PROPERLY ACCOUNTED FOR

NO SCIENTIFIC MECHANISM FOR GRADING OR TESTING QUALITY OF THE PRODUCE

NO INFRASTRUCTURE FACILITIES FOR FARMERS WHO BRING PRODUCE TO THE MARKET

MINIMUM SUPPORT PRICE FIXED BY THE GOVERNMENT FOR VARIOUS CROPS IS NOT PAID TO FARMER UNDER THE GUISE OF QUALITY
POLICY PRIORITIES AND INSTITUTIONAL STRATEGIES SUGGESTED FOR STRENGTHENING COOPERATIVES

- Restoration of autonomous character of cooperatives
- Constitution of democratically elected managements by stakeholders
- Elimination of regulatory agencies interference in day to day administration
- Rationalization of staff with reference to networth and net profit of the society
- Auditing machinery be strengthened with accountability
- Implementation of recommendations of various committees for strengthening cooperatives
- Special financial assistance be provided to wipe out losses and strengthening financial base of sick cooperatives
CONCLUSIONS

➤ The Issues Presented Exhibit As To How The Cooperatives Contributed Extensively For The Development Of Farming Sector

➤ It is also established that Cooperatives are inevitable and they alone are capable of providing financial services to farmers at all stages

➤ It is the responsibility of International Farmers Organizations to raise voice and demand for autonomy of cooperatives

➤ Training Facilities on International Principles of Cooperatives be propagated extensively

➤ Management Information Systems (MIS) With Networking Be Strengthened

➤ Accountability and liability be fixed on policy making bodies
- Penal Laws be fine tuned to deal with Offenders suitably
- Too Many Tiers in the system be reduced to enable farmers to get Credit at cheaper rate
- Crop Wise Commodity Committees Be Established
- Marketing intelligence and future tradings through networking be developed
- Cooperative marketing network be strengthened in the developing countries to equip farmer to compete with WTO challenges
- Cooperative Markets Be Allowed To Function As Member Driven Organizations With Autonomy
- Farmers welfare fund be created to extend relief and rehabilitate the farmers affected by natural calamities
- Co-operation has failed but Co-operation must succeed
Cooperatives - The future

And Many More..

Credit
Banking
Credit Cards
Insurance
Trade
Markets
Travel
Health
Agriculture Extension
Services
Education
Weather
Child Welfare

Thank You