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PARTICIPATION OF RURAL INSTITUTIONS AND TARGET GROUPS IN RURAL DEVELOPMENT PROGRAMME PLANNING AND MANAGEMENT

by

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CONTENT

PARTICIPATION OF RURAL INSTITUTIONS AND TARGET GROUPS IN RURAL DEVELOPMENT PROGRAMME PLANNING AND MANAGEMENT

I

CONCEPTUAL FRAMEWORK

My purpose here is threefold: firstly, to present certain issues involved in participation of rural institutions and target groups in rural development programmes; secondly, to examine our past approach to involving peoples' organizations in rural development activities; and thirdly, to analyse our experiences about the working of rural institutions through four case studies.

There are three major issues involved in the working of rural institutions: the nature of inherited colonial administration, requirements of rural development, and requirements of democratic decentralization. A careful examination of these issues will provide a conceptual framework within which the role of rural institutions and target groups could be examined, and areas and processes of adaptation of administration to India's rural development could be evolved.

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1.1 Nature of Inherited Colonial Administration

Since it hurts the national image many of us would like to forget that India was a colony of the British barely 31 years ago. The extremely pragmatic British evolved a system of administration most suitable for keeping the unorganized, rural population under subjugation and for exploiting the natural and human resources for the benefit of colonial power. District administration was the strongest unit of this system. Through procedural means and by raw use of authority, district administration prevented organized resistance of the rural population to the systematic exploitation of this class by the government and other vested interests. The transfer of power through slow, step-by-step negotiation process resulted in continuing practically the entire administrative structure, its ethos, and systems of operations even after Independence. The potential capacity of the revenue and other department functionaries to hurt and terrorize the rural masses even today by procedural and not-so-procedural means is well known.

Around the basic function of exercise of authority, other concerns of district administration have evolved: maintenance of law and order, control of crime and administration of justice; revenue administration including land administration, and collection of land revenue and other public dues; control, regulations and distribution of food supplies; arrangement for holding elections; administration of local bodies both urban and rural; welfare activities;

emergencies and natural calamities; and other matters such as small savings schemes and contribution to public loans (Administrative Reforms Commission, 1967, pp. 12-14).

The shift in the role and function of inherited administrative system has to be seen in relation to the fundamental purpose for which this administrative unit was evolved. When we speak about adapting administration, we are primarily concerned about the magnitude of authority and control exercised, and the manner in which it is exercised by the state over the rural people through district administration. It is this dimension of district administration which is linked with the concept of democratic decentralization.

1.2 Requirements of Rural Development

Rural development is another important concept that needs examination. Rural development is often conceptualised and stated in universal terms. It is a recent substitute for "community development" (CD), a term which was introduced in 1952 as a substitute for such terms as rural development, rural reconstruction, and rural upliftment. Community development itself remained an enigmatic concept even after nearly 25 years of operation and countless books and articles. Most of the early literature on CDP reflected the emotional appeal, excitement and euphemism generated by CDP. All had a tendency to eulogize the programme, extol its vitues, glorify small achievements, overlook its weaknesses, and blame bureaucracy for the failures. The publicity the programme received through speeches of national leaders, seminars, conferences, workshops, symposia, etc. swept the academic world as well. Many academicians joined the bandwagon and vied with each other in praising the programme. Among the ambitious administrators, foreign promoters who formulated and financed the scheme, and the impulsive researchers, there was little opportunity for a critical examination of the basic assumptions.

These critical observation on CDP are deliberately presented here for the characteristics of recent literature on the now fashionable rural development in India and in other developing countries are similar to those of early literature on CDP in India.

At conceptual level, the goal of rural development is to remove rural characteristics of a society. The main components of Indian rural scene are:

1. Dependence on primary agriculture of large percentage of population
2. Subsistence farming and extremely low purchasing power of farming population
3. Unfavourable terms of trade and net transfer of resources from rural to urban and industrial sectors
4. Rigid control over rural institutions by state bureaucracy, and
5. Absence of strong economic organizations of rural people

1.2.1 Dependence on Primary Agriculture

Since the dependence on primary agriculture is absolute, it follows that the main task of rural development in India is to draw away the rural population from agriculture. This will result in a) check on further deterioration of per capita availability of land, b) a possibility of increase in the per capita availability of land to give more income to those remaining in farming, and c) greater flow of money in rural areas from occupations other than agriculture.

1.2.2 Low Purchasing Power

The poor purchasing power of the farming population has been owing to small size holdings and extremely low and uncertain returns in agriculture. This low income in agriculture is reflected in low per capita consumption expenditure. So far, the agricultural policy in India has been geared towards high food production and not necessarily towards improving economic conditions of the farmers. The limitations of small-land based agriculture for generating sufficient income with unfavourable input-output prices have not been sufficiently appreciated in this country.

1.2.3 Unfavourable Terms of Trade

The Terms of trade between the urban, industrial sector and the rural, farming sector have been unfavouable to the rural sector, resulting in a net transfer to urban areas. The economic burden of achieving such desirable social objectives as minimum wages for agricultural labourers and house sites for the landless is unwillingly passed on to farming households rather than society as a whole.

The farming community is subjected to a two-fold pressure: to produce cheap food and raw material for industrialization and to support an increasing number of the rural landless. The great majority of the rural population have been progressively reduced to mere producers of cheap food and raw material for industrial development and betterment of urban working classes. The strategies of administering rural development policies are thus ironically similar to that of a colonial administration: vertual exploitation of the rural people practically under duress. The irony, of course, lies in the fact that objectives of industrialization and modernization themselves cannot be faulted and the possibility that the strategy employed is not deliberate but a result of the emerging dynamics.

1.2.4 State Control on Rural Institutions

Contrary to professed objectives of encouraging rural institutions, the government and its agencies exercise several administrative and financial controls on rural institutions such as cooperatives and panchayati raj bodies. These bodies have little funds of their own. The administrative machinery of these institutions (especially of panchayati raj bodies) is part of the government machinery.

1.2.5 Lack of Farmers' Organization for Agricultural Production

Indian agriculture is characterized by a very large number of small and fragmented holdings. The country has so far followed the "face-to-face" technique of extension to convince small and marginal farmers of the advantage of improved inputs and practices. It is evident that the sheer number of farmers makes this task well-nigh impossible. If credit and the input use have to be extended throughout the country, there should be some mechanism for reducing the number of farmers to be contacted and convinced. Uncertainty and risk associated with the new practices discourage many farmers to opt for scientific and intensive agriculture. Some form of farmers' organizations especially of small and marginal farmers, could minimize the operational cost of extension and risk covering agencies.

From the discussion, it is evident that adapting district administration to rural development would involve a) creative thinking on the part of administrators for generating new activities to reduce pressure on land, b) favourable attitudes on the part of administration towards the farming population so that policies pertaining to terms of trade are favourable to farmers, c) concern for farmers for the high risk taken by them every season, and the low net income received by them, d) developing 'small farmers' economic, production oriented organizations, and e) greater autonomy and more funds to rural institutions/farmers organizations.

1.3 Requirements of Democratic Decentralization

Democratic decentralization came in the wake of community development programmes (CDP). The CDP was supposed to operate through people's local organizations. It was felt that it would strengthen the foundation of democracy on which our Constitution stands by making the villager understand the significance of development and his own position in the process of development (Government of India, 1959,p.1, emphasis added). When the failure of CDP became obvious, several committees were appointed to critically examine CDP. Democratic decentralization in the form of panchayati raj was the ultimate result of these deliberations. It was recommended that:

> the government should divest itself completely of certain duties and responsibilities and devolve them to a body which will have the entire charge of all development work with its jurisdiction, reserving to itself only the functions of guidance, supervision and higher planning (Government of India, 1959, p.125, emphasis added).

It is a moot question whether the concept of democratic decentralization has been properly defined and understood and, if understood, whether it has been followed in the right spirit by the state governments and their executive machinery.

The issues discussed here are presented in Table 1. It could be seen that there is an inherant contradiction between the role and function of inherited district administration and the principle of democratic decentralization. At a risk of being misunderstood, I would still like to emphasize that the intrinsic function of district administration has been exercise of authority to subjugate the masses and exploit them; its other functions have always being of secondary importance. It follows that it has to have full administrative and financial control over rural institutions and local bodies. Only by exercise of such control can terms of trade unfavourable to the rural able 1: **Issues Related to Participation of Rural Institutions in Rural Development Programme Planning and Management**

ssues	Characteristics	Implications	Requirements
. Nature of Inherited Colonial Administration	Direct exercise of authority by the government through procedural means and raw use of authority for systematic exploitation of rural masses and resources, especially agriculture	Autonomy to local institutions being contradictory to the objective of 'control for exploitation', severe control by administration on rural institutions and flow of funds	
2. Requirements of Rural Development	Major issues are: dependence on primary agriculture; subsistance farming; unfavourable terms of trade and net transfer of resources from rural tc urban; rigid control over rural institutions by state bureaucracy, and absence of economic organizations of farming population	To remove rural characteristics economic policies favourable to rural people to be developed by administrators. These to lead to: greater flow of funds to rural areas through rural/people's institutions; increase in net income of rural people; generation of new type of economic activities to reduce pressure on land	Effective participation of rural institutions would require resolution of contradictions among the three issues
3. Requirements of Democratic Decentralization	Govt. to devolve duties and responsibilities to local bodies which will have entire charge of all development work within its jurisdiction; function of guidance, supervision and higher planning to remain with the government.	That the rural people are not ready for self-government and democratic decentralization is an old colonial attitude and argument. Effective decentralization requires: a) greater flow of funds to local bodies on which decisions can be taken by the local bodies according to priorities decided by them; and b) power to local bodies to design their own administrative systems.	

population be enforced and maintained over years. The requirements of rural development as described above are contradictory to such functions. Rural institutions can contribute to rural development only when these contradictions are effectively resolved.

II

INVOLVEMENT OF RURAL INSTITUTIONS: PAST APPROACH

2.1 General

Over years, some attempts have been made to resolve the contradictions discussed in the previous chapter. This chapter discusses why these attempts have failed in building strong and effective people's organizations and institutions for economic development of the rural people.

2.2 The Three Sub-Systems

Broadly speaking, the three major sub-systems operating in rural areas are: 1) producer farmer sub-system; 2) credit and input supply sub-system; and 3) district administrative sub-system (see Figure 1). The first sub-system encompasses individual farm families who as actual producers bear all the risks and uncertainties of agriculture in India. In this sub-system could also be included the landless labour and artisans. The second sub-system facilitates production activities and is responsible for credit and input supplies. The main agency for these tasks is cooperative institutions. Part of the input is supplied by private companies operating through dealers and agents. District

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Sections 2.2, 2.3 and 2.4 are from the author's paper "Redesigning the Role of District Administration: From Regulating to Developing" in Vikalpa, Vol.3, No.2, April 1978, pp. 121-32.

FIGURE 1: MAJOR SUB-SYSTEMS IN RURAL AREAS

Sub-System I
(Production)

Task:	Production & Marketing
Agency:	Individual Farm Family
Decision:	Individual Farm Family
Risk:	Individual Farm Family

Sub-System II
(Facilitating and Service)

Tasks:	Supply of credit and inputs
Agency:	a) Mainly Cooperatives/Banks b) Partly Private Industrial and Business Companies
Decision:	a) Institutional b) Private Companies
Risk:	Institutional and Companies

Sub-System III
(Regulation, Coordination, Service, Infrastructure building)

Tasks:	Provision of social welfare services in education and health; development of infrastructural facilities like roads & irrigation; extension of knowledge; regulation of credit and supplies
Agency:	District and Block Administration
Decision:	Mainly Government; Marginally local bodies
Risk:	No risk at individual administration level

Environmental Boundaries (Technical, Govt. Policy, Legal, Economic, Social, etc.)

⟷ Inter-system relationships through structural and process linkages administration forms the third sub-system which performs service, regulatory, and extension education functions. It is also involved in building infra-structure like road and irrigation (for further elaboration, see, Gaikwad, et al., 1977, pp.164-69 and pp.375-78).

2.3 The CD Design

Over the years, attempts have been made to change the interrelationship between these sub-systems and the methods of their operations. The first attempt was made in 1951 through community development programme. This attempt had only limited success owing to the intrinsic limitation of its design. The four basic elements of the CDP design were:

1. focus on individual cultivator;
2. restructuring and reorganization of district administration, especially by establishing new administrative units on area (block) basis;
3. provision of necessary facilities (including the extension of knowledge) for agricultural production to the individual cultivator through cooperatives and the block agency; and
4. provision of welfare facilities by the block agency at block level and rural settlement level (see Gaikwad, 1977, pp.223-25, for a detailed analysis).

The focus in this design was on the individual cultivator. There was no emphasis on collective, community action for community welfare and on building community assets for common economic development. The design envisaged development of rural people through concentration of efforts on individuals (primary cultivators) and marginal reorganization of government machinery at district level and below (as evolved during the colonial period), but not through development of new organizations of the rural people for collective economic and other benefits. In this design there was no scope for development of small or medium agro-industries and cottage industries which would help in reducing the pressure on land, nor for helping rural artisans and craftsmen who were constantly joining the number of landless labourers.

For the next twenty-five years, this design determined, and still determines, the strategy and instrument for economic development and welfare of the rural people. It also determined the direction in which internal resources and external aids were to flow. This design was constantly nurtured and financially helped to survive by introducing, one after another, various schemes and programmes such as the Intensive Agricultural District Programme (IADP), the Drought Prone Area Programme (DPAP), the Command Area Development Programme (CADP), the Intensive Cattle Development Programme (ICDP), the Small Farmers Development Agency (SFDA), etc., all following the CDP design, but excluding the welfare component. In all such programmes, there was some tinkering with the district administrative machinery such as appointment of project officers, subject-matter specialists, extension officers, field workers, etc. There were neither changes in the structure and management of cooperative institutions, nor any efforts for organizing farmers for utilizing their and community's resources for common benefits. A recent study of the Intensive Agriculture District Programme (Gaikwad, et al., 1977, p.378) pointed out that

1) changes in district administrative machinery alone do not lead to achievement of primary objective of higher agricultural production;
2) enduring process linkages cannot be developed in isolation for each sub-system; and
3) a closely integrated production system composed on the three sub-systems having a common objective is likely to give better results than the IADP design.

Similar observations could be made about other programmes/schemes pertaining to agriculture and rural development in India.

2.4 Panchayati Raj Without Changes in Functions

Introduction of elected bodies at various levels under panchayati raj (rural local self-government) also did not change the inter-relationship between the three sub-systems. These bodies were not given any new function or role in relation to the rural people which were not earlier performed by district administration. No new powers over the citizens were given to these bodies. Thus, the intrinsic nature of powers which the state exercised over the citizens through its executive machinery at the district level and below did not undergo any change after the introduction of panchayati raj.

The structure of local bodies was designed to suit the organization and structure of district administration. It could be pointed out here that the Constitution of India directs that "the state shall take steps to organize village panchayats and endow them with such powers and authority as may be necessary to enable them to function as units of self-government" (Government of India, 1973, p.17). The panchayati raj system that was ultimately evolved in the country was, however, composed of village panchayats at the bottom with insignificant powers and authority, and two more tiers of panchayats (at block and district levels) above village panchayats. The three tiers correspond to the existing levels in the district administrative machinery.

When these bodies were formed, a segment of district administrative machinery along with CD block machinery was transferred to these bodies which did not have any power to change or redesign the administrative setup given to them. The administrative setup transferred to them contained the culture as well as the hierarchies and differentiations existing in the traditional district administration. There were also no changes in the operating mechanisms such as control procedures, information systems, reward and appraisal systems, rules and regulations, etc. In the transferred segment of the setup, only one important position was newly created, i.e., the post of District Development Officer (DDO) in Gujarat and the Chief Executive Officer (CEO) in Maharashtra.

Since no new functions were performed by the administrative machinery under panchayati raj, the formation of two administrative units in a district-- one under the DDO/CEO and the other under the collector --was, technically, speaking merely a division of work between the two functionaries. (In Maharashtra and Gujarat, the entire work was earlier performed by the collector, while in other states it is still being performed by the collector). The nature of tasks performed by the functionaries did not change with this division of work.

Broadly speaking, there are two models of panchayati raj; they are generally called the Rajasthan and the Maharashtra/Gujarat models. Even after more than a decade of experimentation, it has to be conclusively proved that district administration under the Maharashtra/Gujarat model of panchayati raj has performed better than machinery under other panchayati raj models or under the traditional administration in states which have not introduced panchayati raj. Similarly, it has to be conclusively proved that the performance of district administration in the same state has been better after the introduction of panchayati raj, or that there is an appreciable difference in the performance of the two segments of district administration, one under the DDO/CEO and the other under the collector. It is quite possible that one may not find such differences because panchayati raj did not introduce any major change in the function and role of the administrative machinery vis-a-vis the common citizen, nor did it introduce any major change in the internal arrangements of the administrative setup.

There is a general impression that various departments under panchayati raj bodies do not perform any regulatory function and that, after introduction of panchayati raj, there is a separation of regulatory functions from the development functions. However, a close look at the nature of tasks actually performed by these departments reveals that this is not the case. Some of the regulatory functions performed by various welfare and development departments are given in Table 2. It has been observed that most regulatory functions are performed in relation to economic, production-oriented activities of the rural people and institutions (Gaikwad and Parmar, 1977 for a detailed analysis).

III

FINDINGS OF FOUR CASE STUDIES

Over years, a number of agencies/institutions have been evolved in the country for rural development. For example, we have panchayati raj bodies to involve people through their representatives in development efforts, the Small Farmers Development Agency to help the weaker sections, and the Farmers' Service Cooperative Society (FSS) to take care of development needs of small and marginal farmers and agricultural labourers under the management control of small and marginal farmers.

Many question can be asked about these agencies/institutions. In what way these agencies/institutions are different in terms of their approach, strategies, and progress? Can presence or absence of people's representatives make a difference in the ultimate objective, namely improvement in economic conditions of the rural people? The structural and procadural constraints

Table 2: Functions Performed by the Administrative Machinery Under Panchayati Raj Bodies in Various Branches/ Departments

Department/ Activities	Functions Performed		
	Service	Infrastructure Development	Regulatory and Control
<u>Welfare</u>			
Education (Primary)	Running Primary Schools	Construction of School Buildings	Sanctioning of New Schools and Inspection of Private Schools
Health and Medical	Running the Public Health Centre (PHC)	Construction of PHC Dispensaries	Organizing Compulsory Vaccination during Epidemics
Social Welfare	Giving Scholarships to (Schedule Caste/Schedule Tribe (SC/ST) Students	Construction of Hostels for SC/ST Students	Filling the quota of ST/SC Students in Schools and in Employment
<u>Economic Development</u>			
Agriculture	Extension of Knolwedge	Developing Seed Farms	Regulation of Supply of Inputs and Credit by Coops. and Private Traders
Animal Husbandry	Extension of Knolwedge	Construction of Veterinary Hospitals	Organizing Compulsory Castratio of Stray Bulls* and Issuing Health Certificates for Animal sent to Abattoir
	Running Veterinary Hospitals		
Fisheries	Extension of Knowledge	Construction of Tanks for Stocking Fingerlings	Getting/Giving Fishing Rights
	Supply of Fingerlings		
Communication	--	Construction of Roads	Getting/Giving Permission for Construction of Roads

* Bill to this effect had not been passed at the time of the study.

Source: Gaikwad and Parmar, 1977, pp.186-187.

and managerial problems involved in the working of these agencies/institutions are well-known (Gaikwad, 1975, pp.649-62). One would, however, like to know more about financial constraints and their implications on the effectiveness of these agencies. Can people's participation be a substitute to various financial and organizational deficiencies? Answers to all such questions cannot be given in this paper. I have, however, tried to present in this chapter some relevant findings from four case studies which are given in Appendices I to IV.

The four case studies cover two panchayati raj bodies [a Zilla panchayat (ZP) in Gujarat and a taluka development board (TDB) in Karnataka], a Small Farmers' Development Agency (SFDA) in Bangalore, managed by a body composed of mostly government functionaries, and a Farmers' Service Cooperative Society (FSS) in Bidadi.

3.1 Case Study-I: Zilla Panchayat in Gujarat

For the Zilla Panchayat under study the state government provided the elected bodies at district, block, and village levels with an administrative machinery composed of 7386 functionaries (on an average 103 paid employees for a group of 12 villages or one functionary for every 21 household). They were primary school teachers (64.5 per cent), clerks (11.1 per cent), field staff (11.2 per cent), and drivers and peons (7.5 per cent). In all, these categories covered nearly 94.3 per cent of the total strength. Another 5.7 per cent consisted of technical officers, supervisory, technical, and office staff, and general administrative officers.

In 1973-74, the Zilla Panchayat spent about Rs.80 million, out of which Rs.38.8 million was for famine relief work. About 62 per cent (Rs.25.5 million) was on salaries, allowances, and contingencies, and the remaining 38 per cent (Rs.15.7 million) was spent on scholarships, grants, subsidies, construction and repairs of irrigation works and other public works, seed farms, etc. The average expenditure for a village was Rs.93,192. If the expenditure on famine relief, salary, allowances, and contingencies was ignored, the average expenditure for a village worked out to be only Rs.18,157.

Most of the expenditure was on welfare programmes like health and education and little on production oriented activities. Most of the plan schemes for development in agricultural and allied fields were not transferred to the Zilla Panchayat but were directly implemented by state departments. For example, about Rs.10 million were spent under plan schemes for agriculture and animal husbandry alone. These schemes were outside the control of the Zilla Panchayat. This expenditure formed about 25 per cent of the total expenditure incurred by this elected local body on all heads excluding famine relief.

It is clear that what the government transferred to local bodies was more in terms of manpower for social welfare type of work and for supervision, and comparatively less in terms of funds which could be spent according to priorities decided by local bodies.

The high percentage of expenditure on salary and allowances for functionaries under panchayati raj has an important implication. The expenditure on salary and allowances is akin to fixed cost which is incurred year after year. If 62 per cent of the expenditure is on salary and allowances, it means decision regarding this expenditure has already been taken and no further major decisions are involved. This, in other words, means that panchayati raj bodies are not called upon to make decisions regarding this amount and are involved in decision-making only in relation to the remaining 38 per cent of the expenditure. Thus, the degree of freedom available to elected leaders regarding allocation of funds for different activities is limited.

Even after the introduction of panchayati raj, schemes involving substantial expenditure are directly handled by department functionaries at the district level and below. These schemes, and the functionaries handling them, are beyond the purview of the zilla panchayat. Generally, a proportionately small amount is spent on salary and allowances in these activities than in activities handled by panchayati raj bodies.

3.2 Case Study-II: TDB in Karnata

The study of the Taluka Development Board, Karnataka, presents more or less similar picture. The TDB had no economic activities to generate its own independent resources which would provide it with increasing incomes. There were no major heads of expenditure for irrigation, agriculture, animal husbandry, forestry, industry, mining, etc. It is clear the TDB was not involved in economic and production-oriented activities which would lead to economic development of the region and the people.

Its major expenditure was on construction and repairs of buildings and roads. The total expenditure on irrigation, agriculture, and animal husbandry formed only 7.49 per cent of the total expenditure. Activities such as dairying, various agro-industries, small scale and household industries, forestry, mining, etc., which could generate employment in the region and consequently increase the income of the people were not within the jurisdiction of the TDB. Its main sources of income were land revenues, taxes, cess, and government grants.

The TDB was not the only agency undertaking development work in the region; many technical departments continued to implement directly a number of plan and non-plan schemes. For example, the Public Works Department (PWD) through its district level agency was responsible for the construction and maintenance of district roads. Construction and maintenance of village approach roads alone was transferred to TDBs. Similarly, major and medium irrigation projects were handled directly by the irrigation branch of the PWD. Major area development projects and programmes financed by the World Bank such as the Drought Prone Area Programme and the Command Area Programme were handled by separate project authorities. A number of agricultural development and animal husbandry programmes, as well as health and family planning programmes were handled directly by the respective technical departments of the state government.

Considering the type of functions devolved on the TDB, absence of production-oriented activities to generate additional income, and megre funds (Rs.1.08 per capita per annum) available, it is clear that the elected body had very little to contribute to the economic development of the population. In fact, under the circumstances its presence or absence makes very little difference to rural development.

3.3 Caste Study-III: SFDA, Bangalore

The third case study is of a Small Farmers' Development Agency. The SFDA was expected to have an outlay of Rs.150 lakh for five year period. This outlay was expected to result in flow of additional credit of Rs.1500 lakhs. Assuming a net return of 20 per cent on this additional investment the net increase in the income of each of the 50,000 farmers (families) would be Rs.123 per year or Rs.10.25 per farmer (family) per month or Rs.2.05 per capita per month. This will be the highest standard of effectiveness the agency can be expected to achieve under the most ideal conditions--full and most efficient utilization of resources, and farmers' production activities operating under absolutely"no risk" conditions. In the present case, even this expected, extremely low increase in an average small farmers' income could not be owing to the extremely low efficiency (less than 20 per cent) of the agency.

The SFDA was set up as a society registered under the Registration of Societies Act. In this society the "target group", i.e., small farmers, were not represented. This is understandable since small and marginal farmers and landless labourers do not have any organization of their own. They are an atomized mass and the government and the SFDA, following the CD design, treated each individual separately. In fact, it was not the functions of SFDA to form groups of small farmers for cooperative/collective actions. Thus, there was no danger of organized voice of small and marginal farmers being raised if the Agency did not perform efficiently or effectively.

3.4 Case Study-IV: FSS, Bidadi

The fourth case study is that of Farmers' Service Cooperative Society (FSS), Bidadi. The most recent experiment in institution building in India, the FSS was composed of certain characteristics of the SFDA, cooperative institutions, nationalized commercial banks and government departments. Its primary purpose was to improve the economy of small and marginal farmers and agricultural labourers. The FSS was supposed to be an improvement on the SFDAs and cooperative institutions. In the SFDA, there was no representative of small and marginal farmers. The FSS was expected to remove this imbalance by giving control of its management in the hands of small and marginal farmers. However, as seen from this study, at least for the first six years there would not be elected representatives of small and marginal farmers on the board of directors due to certain procedure and strategy evolved by the administration.

The enrolment of small and marginal farmers under the FSS was no better than that under the SFDA. Similarly, its effectiveness and efficiency were no better.

Assuming the internal rate of return of the order of 15 per cent, the total loan extended by the society during the four-year period would increase the income of the region by Rs.5.66 lakh or on an average Rs.1.41 lakh a year.* Not all farming households were members of the society and received equal loan facilities. However, even if it is assumed to be so, the increase in income due to extension of loan per household during the period would be Rs.75, and per household per year would be Rs.19 per acre for the four year period it would be Rs.16 or Rs.4 per acre per year.

Thus, if the internal rate of return was 15 per cent, and if all the farm families received equal share in the loan extended by the society, then the total loan extended by the FSS would, on an average increase the income of an household by Rs.19 per annum, i.e., Rs.1.58 per month, or just 32 paise per month per head—if the average size of family was assumed to be five.

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*It is necessary to mention here that FSS, Bidadi was not the only financial institution extending loans to farmers of the region. There were branches of other commercial banks and cooperative societies giving the loans. We have only emphasized the possible contribution of FSS, Bidadi.

Needless to say, that this increase of thirty paise per head per month in income even under ideal conditions would neither result in any improvement in the quality of life nor contribute to a faster rate of capital formation. In short, the impact of FSS's credit facilities in general would be negligible on these two fronts. Some impact would be visible in some pockets only when a) limited credit facilities are concentrated on few households (thereby introducing skewed distribution of benefits), and/or b) farmers default in repaying loans.

In the three years of operation, the society suffered a net loss of Rs.39,164. Its major sources of income were interest on loan from members (46 per cent), gross profit from trading (31 per cent), and subsidy from the government (15 per cent). Thus, the society earned a major part of its income by pursuing activities similar to those of money-lenders. Added to this income was the government subsidy. The only non-traditional activity was the agro-service unit which, instead of making a profit, suffered a net loss of Rs.43,513.

IV

SUMMING UP

There are inherent contradictions between the role and function of the inherited colonial district administration and the principle of democratic decentralization. Since autonomy to local institutions is contradictory to the objective of 'control for exploitation', the strategy in the past has been the control by state administration of rural institutions. Requirements of rural development, such as, transfer of resources to rural areas, increase in the net income of the rural people, and growth of strong economic organizations of people are also contradictory to the objective of exploitation of rural masses. In the past these contradictions could not be resolved. The four-element community development strategy envisaged development of the rural people through concentrating efforts on individual (primarily cultivators) and marginal reorganization of administrative machinery at district level and below, but not through developing new organizations of the rural people for collective economic and other benefits. Under this strategy the dependence of rural communities on block and district bureaucracy for even welfare measures was more or less absolute. They could only wait and hope to get the facilities the bureaucracy thought fit for the community.

The strategy was not much different under the panchayati raj. The panchayati raj system that was evolved in the country was composed of village panchayats at the bottom with insignificant powers and resources, and two more tiers of panchayats (at block and district level) above village panchayats. What the government transferred to panchayati raj bodies was merely existing manpower and system of administration suitable for welfare and regulatory functions. As compared to funds to support this manpower, funds for activities, especially for building people's organizations and developing economic activities, were negligible. Without funds for investment there were few activities requiring planning and management. The only task left to peoples' representatives was to keep some sort of check on the given manpower. This was ultimately reduced to looking into staff transfers which, incidentally, was considered as "interference in the legitimate functions of bureaucracy"! It is also worth noting that a large number of development schemes involving substantial expenditure were directly handled by department functionaries at district level and below. By keeping these schemes outside the purview of local bodies, the state executive machinery achieved two things: Firstly, it found another way to minimize the pressure on the administrative system from the elected leaders at the district level and below. Secondly, since in these schemes major portions of the amount was budgeted for expenditure on heads other than salary and allowances, it got more funds to spent. This increased the people's dependence on bureaucracy, and consequently enhanced bureaucracy's power over the people.

Thus, our past experience indicates that when environment generates pressure for change on a traditional, well-established, large bureaucracy, the system, as a reaction, gives an impression of change (perhaps changes a bit also) and simultaneously devises means to minimise the extra-organizational influence upon members. In the present case, the system was able to insulate itself to a considerable extent, from the impact of democratic decentalization by evolving a financial structure which gave only limited degree of freedom to the elected bodies regarding allocation of funds for different activities.

The SFDA is another example of this strategy. Under the SFDA, neither the local bodies nor the target population were involved in the management. There was no danger of organized voice of small and marginal farmers being raised if the agency did not perform efficiently and effectively. The Farmers' Service Society was supposed to be an improvement on the SFDA but in actual operation it was not. Various systems of operation saw to it that the control of the FSS's management would not shift to small and marginal farmers. In other words, a strong organization of small and marginal farmers could not be developed.

Two strategies have been followed in the past in relation to the countryside. Firstly, the structure and location of local bodies were designed to suit the organization and structure of inherited district administration. Invariably, the standard pattern of local bodies at village, block, and district levels has been followed since it suited the district bureaucracy's structure.

Production oriented organizations such as group farming, cooperative farming, landless workers' cooperatives, etc., whose organizational boundaries need not be co-terminus with that of standard units of district administration, could not develop in this environment. By having local bodies parallel to the district administrative structure, it was convenient for the government to transfer part of the administrative machinery to these bodies and thus exercise continuous control over them.

The second strategy was to give minimum funds for the rural people to handle. This was achieved in two ways; firstly, by having terms of trade unfavourable to the farming population and, secondly, by having layers of administrative machinery through which funds would trickle down to the rural people. The terms of trade have always been unfavourable to the farmer so that the purchasing power of the farmers and those depending upon them for livelihood, such as agricultural labourer and artisans, would be minimum, and their dependence on the government agencies for capital help, welfare facilities and for subsistance in times of droughts and other calamities would be maximum.

Over years a system has been evolved in the country so that funds would not be directly handled by grass-root level bodies. As things stand, before funds are spent for the benefit of the rural people or in the name of the rural people, these percolate through at least two layers of local bodies and various layers of administrative machinery. Owing to the large number of intermediaries there are losses of various types. The rural people have very little control on the funds that are supposed to be spent on them by others. For practically every need they have to look up to the government and its agencies and wait for the benefits to trickle down. In short, due to unfavourable terms of trade and due to various intermediaries through which state funds flow, very little funds were directly handled by the rural people. Self-respect and confidence have been the first victim of this system which had its origin in the colonial past.

To conclude, effective people's participation in rural development programme planning and management would involve:

a) Building of production oriented economic organizations (group farming, agricultural cooperatives) of the rural people which may or may not be co-terminus with the existing units of district administration. Welfare activities could also be routed through these organizations.

b) Direct allocation of funds to the lowest grass-root level institution/organization which must have the power to spend funds according to priorities decided by it. In this system, higher level bodies would receive part of their funds from the grass-root level bodies as payment to services provided by them to members of grass-root level bodies. If the services provided are unsatisfactory then the grass-root level body will have freedom to find alternative agencies which would provide more satisfactory services.

c) The grass-root level body and other local institutions should have freedom to recruit their own employees and should not be compelled to accept "transferred" staff from the government machinery. It is needless to emphasize that quality of services and facilities to the rural people will improve only when they have the freedom to appoint persons who would give them most satisfactory services. The system of burdening local bodies with the existing administrative machinery is akin to the strategy followed by the British in dealing with the native rulers who were compelled to depend on the British army for defence needs, and to rule according to the "advice" and "recommendations" of the political agent.

It is clear that to break the backbone of inherited colonial administration will require a strong political will and change of attitude towards rural problems. It has to be realized that it is inherent in the nature of all large bureaucracies that, when threatened, they would devise various means to maintain their power position in society. Stronger the political desire for democratic decentralization, more devious ways would be evolved by the bureaucracy to retain its hold over the rural masses. Unless politicians and enlightened administrators keep this in mind, effective participation of rural institutions in rural development programme planning and management will remain in the realm of utopia.

Appendix I

Case Study of a Gujarat Zilla Panchayat*

1. General

When panchayati raj was introduced in Gujarat in 1963, a major re-organization of the district administrative machinery took place. Those departments whose activities were coordinated at the block level were separated from other departments at the district level. This part of the district level machinery, along with the block administrative machinery, formed a separate segment of district administration which was transferred to panchayati raj bodies.

2. Functionaries

In the Zilla Panchayat under study, in 1973-74, this segment consisted of 7386 functionaries. The task before them was looking after the welfare and economic development of about one million people belonging to about one lakh households living in 859 villages. On an average, there were nearly 103 paid functionaries for a group of 12 villages, or one functionary for every 21 rural households, or every 40 male persons above 14 years of age.

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* Extract from Gaikwad and Parmar, 1977, pp.84-89.

The administrative machinery was composed of primary school teachers (64.5 per cent), clerks (11.1 per cent), field staff (11.2 per cent), and drivers and peons (7.5 per cent). These categories in all covered nearly 94.3 per cent of the total strength. Only five per cent of the segment consisted of technical officers, supervisors, and technical office staff. General administrative officers and supervisory staff formed only 0.7 per cent.

There were 225 officers (administrative and technical), 130 supervisory staff members, and 6447 other staff members. These functionaries were ranked under four classes of service and 28 pay grades. About 90 per cent of the functionaries were covered by four grades with salaries of Rs.135 and below. The remaining 10 per cent of the functionaries were distributed in 24 different grades.

In 1973-74, the Zilla Panchayat spent about Rs.80 million, nearly half of it on famine relief works. Of the remaining Rs.41.2 million, about 56.7 per cent was spent on welfare services like education, medical facilities, health, family planning, community development, cooperatives, and social welfare. Only 17.6 per cent was spent on production-oriented activities like agriculture, irrigation, animal husbandry, industry, and forests, and another 17.6 per cent was spent for infrastructure development such as construction of roads and buildings.

Out of Rs.80 million, about 32.3 per cent was spent on salary and allowances. If the expenditure on famine relief works was not considered, the expenditure on salary, allowances, and contingencies formed about 62 per cent of the total expenditure. The remaining 38 per cent was spent on scholarships, grants, subsidies, construction and repairs of irrigation works and other public works, seed farms, etc. Thus, the zilla panchayat was given only limited funds to spend. Only when there was drought was that there were funds to spend.

The average salary excluding allowances was about Rs.10,000 a year for Class I and II officers and about Rs.5,000 a year for Class III and IV staff. Thus, on an average, the expenditure on two supporting staff members was equal to the expenditure on one officer. The expenditure on personnel examined in the study covered only part of the expenditure on personnel. In addition to salary and other allowances such as interim relief, dearness allowance, house rent allowance, and travelling allowance, these functionaries received standard benefits such as free medical aid, gratuity, pension benefits, leave travel concession, government quarters at 10 per cent of the basic salary, and loan advances.

The average expenditure per village was Rs.93,192. If the expenditure on famine relief and/on salary, allowances and, contingencies was ignored, the average expenditure per village worked out to be only Rs.18,157.

There were 98 doctors (in allopathic dispensaries, public health centres (PHC) and ayurvedic dispensaries). On an average, a doctor looked after 10,213 persons. Per capita expenditure (including salaries and allowances) on medical facilities and health was Rs.3.72; excluding salary and allowances but including contingencies it was Rs.0.85. Thus, a very small amount was available for distributing free medicines.

Practically, every village had a primary school. On an average, there was one teacher for 30 enrolled students. The average expenditure per year per enrolled student was Rs.117.

3. Schemes and Expenditure Beyond the Purview of Zilla Panchayat

The Zilla Panchayat was not involved in most of the development schemes included in the Fourth Five Year Plan of Gujarat. Out of the total number of 658 and odd plan schemes, 225 fell under the category of district level schemes. Out of these, only 106 schemes were implemented in the district under study. Out of these 106, only 30 schemes were transferred to the Zilla Panchayat and an additional nine were transferred to it for implementation on an agency basis. The functionaries operating the remaining 67 schemes were beyond the purview of the Zilla Panchayat. Thus, in addition to functionaries operating within the administrative boundaries of the Zilla Panchayat, there were a large number of functionaries operating in the district for such functions as land administration, law and order, and general administration, as well as for implementing 67 plan schemes for the social welfare and economic development of the people.

Some information was collected about functionaries handling agriculture and animal husbandry schemes which were beyond the purview of the Zilla Panchayat. There were 723 functionaries operating such schemes. Some of them worked for the division as a whole, while most others worked on schemes falling within the district. The total expenditure by these functionaries was about Rs.10 million. This expenditure formed about 25 per cent of the total expenditure incurred by this elected local self-government body under all heads excluding famine relief.

Appendix II

Case Study of a Taluka Development Board (TDB), Karnataka*

1. General

The Mysore Panchayat and Local Board Act was passed in 1959, which introduced a three-tier system in the state. The three-tiers were: 1) village panchayat for a group of villages at village level, 2) taluka development board (TDB) or panchayat samithi at the taluka/block level, and 3) district development council at the district level.

Members of the village panchayat were elected by secret ballot. The chairman of the village panchayat was elected by the elected members. For forming the TDB, each taluka was divided into constituencies, and from each constituency two or three members were directly elected to the taluka board. There was provision for co-option of scheduled caste and scheduled tribe members to the TDB. The district development council consisted of presidents of TDBs falling within the district. The MLAs, MLCs, and MPs within the district were its ex-offico members. There was also provision for co-option of SC/ST members to the district council. The number of seats reserved for SC/ST members was directly related to the size of their population.

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* Extract from Gaikwad, 1977, pp.350-383.

There was no direct linkage of the village panchayat and the TDB since elections to the taluka board were direct. Similarly, there was no linkage between the district council and the village panchayat. Neither the TDB nor the district council had powers to sanction and/or modify the budget of the village panchayat which was very megre. However, the TDB exercised general control over the activities of the village panchayat.

2. Income and Expenditure

The analysis of income and expenditure during the period 1971-72 to 1976-77 reveals the following:

i. Total income of the TDB for the six year was Rs.15 lakh, i.e., an average of Rs.2.5 lakh a year. Considering the population of about 1,40,000 of the taluka the per head per annum income was only about Rs.1.80, or for the six year period Rs.10.80.

ii. Nearly 70 per cent of the total income available to the TDB was generated primarily in the rural areas of the taluka in the form of land revenues, land tax (cess), and taxes on transfer of immovable property. Another 10 per cent was generated locally from rent on buildings and land, by sale of land, agricultural implements and medicines, and from other miscellaneous items. Only about 20 per cent of income came from 'outside' as grants and contribution from the government. Perhaps, even this 'outside' amount was indirectly generated in the rural areas.

iii. Income from sources other than land revenue, taxes, cess, and grants and contributions was only about 11 per cent of the total income. There was no trend of increase in income from other sources.

iv. The per capita per annum income of one rupee and eighty paise was spent on various items. About 59 per cent of the total income for the six-year period was spent on public development works, i.e., construction and repairs of buildings (mainly school buildings), roads, bridges, drainage works, etc. Only 2.6 per cent of the expenditure was on small irrigation works which formed part of the 59 per cent expenditure on public works. Construction and repair works were also undertaken under other heads of expenditure, namely contribution towards building construction and repairs of hospitals and veterinary hospitals, and construction of hostels and lady teachers' residences. The total expenditure on construction and repairs, excluding expenditure on irrigation, came to 61.05 per cent of total expenditure in the six-year period.

v. The second highest expenditure (15.73 per cent) was on general administration which covered expenses on the TDB (monthly honorarium for the president and vice-president, travelling allowances to members, expenses on meetings and elections, receptions to VIPs, salary of officers and staff (including office expenditure), and 'public' welfare expenditure (covering employees' pension, etc., purchase and repair of jeep, petrol expenses, audit fees, rent and tax on building, legal expenses, etc.). In addition to this, there was expenditure on salary under other heads, namely public security, public health, and public amenities. Thus, the expenditure on general administration and salaries under different heads formed 17.28 per cent of the total expenditure.

vi. The third highest expenditure (13.58 per cent) was on miscellaneous items, namely development of backward class people (construction of hostel and land teachers' residences), enquiry about borewell machine, development of agriculture, machine repairs, and refund to amounts of various types (residential rent, audit objection, and jeep amount). The expenditure on constructions is already included in item iv above. Excluding this expenditure, the total amount spent under Miscellaneous heads formed 4.3 per cent of the total expenditure. Even then, this was the third highest item of expenditure.

vii. Expenditure on public health was 3.4 per cent of total expenditure. If cost of building and contribution towards leave salary for hospital staff were considered the expenditure on public health come to only two per cent of the total expenditure.

viii. Expenditure on education formed 3.13 per cent of the total expenditure. The different heads were adult education, books and maps, assistance to kindergarten schools, Women's and youth clubs, community training, and taluka sports. Salaries of the school teachers were paid by the state government and, as such, were not part of the TDB budget.

ix. About 2.32 per cent of total expenditure was incurred on public amenities. This covered salaries and sundries. Excluding salaries and repairs the expenditure on public amenities came to just 0.70 per cent of the total expenditure. This was spent on national celebrations (Rs.500), exhibition of he-baffaloes (Rs.100), medicine in veterinary hospitals (Rs.8793), and agricultural conferences and training (Rs.1,103).

x. About 2.49 per cent of expenditure was on grants-in-aid and contribution for various organizations such as educational and cultural organizations, relief funds, institutions for physically handicapped, and the Indian Read Cross Society.

Appendix III

Case Study of a Small Farmers Development Agency

1. General

Concern for small and marginal farmers had been felt from time to time. The findings of studies sponsored by the Planning Commission during 1965-70 and other studies clearly indicated that the administrative machinery and credit institutions had, by and large, ignored small and marginal farmers (see Gaikwad, 1971, pp. 1-13, for a review). Based on the recommendations of the All-India Rural Credit Review Committee in 1969, a number of Small Farmers' Development Agencies have been set up in various parts of India.

The SFDA was set up as a society registered under the Registration of Societies Act. The society was to have limited membership which was generally to be as follows:

a) Collector/deputy commissioner of the district/area, or chief executive authority of the government responsible for the execution of development programmes in the area to be the chairman.

b) One representative of the President of India to be nominated by the Ministry of Food, Agriculture, Community Development, and Cooperation.

c) One representative of the Planning Commission.

d) Three representatives of the state government representing the department of Agriculture, Animal Husbandry and Cooperation or any other department more intimately concerned with the programme of the agency.

e) One representative of the land development work.

f) Chairman of the central cooperative bank concerned.

g) Chairman of the zilla parishad or similar local body concerned.

h) Two non-officials to be nominated in consultation with the state government.

In addition to these members, there was a whole-time project officer who was also the member-secretary of the society.

As regards the management of the scheme, it was visualized that although there would be a whole-time project officer with a small office to assist him in looking after the work of the agency, the existing government machinery of the district as well as other institutions and agencies would have to be utilized to the maximum extent.

2. SFDA, Bangalore*

SFDA, Bangalore, was among the first batch of SFDAs introduced in the country in 1970-71. Since its inception it was headed by the Joint Registrar of Cooperative Societies who, as officer on special duty, operated as project officer of the Agency.

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* Extract from Gaikwad, 1978, pp.6-11.

3. Pattern of Expenditure

Like all SFDAs, the Bangalore SFDA was provided with an outlay of Rs.150 lakh for a period of five years. The suggested pattern of expenditure for this outlay indicates that Rs.1500 lakh additional credit was expected to flow to small farmers.

In the five year period, the Agency received Rs.63.00 lakh and spent Rs.62.95 lakh (about 42.2 per cent and 41.97 per cent respectively of the total expected outlay). Considering the balance left every year (1971-72: 55.49 per cent; 1972-73: 11.05 per cent; 1973-74: 4.64 per cent; 1974-75: 17.01 per cent; 1975-76: 1.85 per cent) availability of funds was not a problem, but the efficiency of the Agency was itself limited to only about 42 per cent utilization of potential resources.

During the first four-year period, total credit extended to small farmers through credit cooperatives was Rs.155.10 lakh as against the expected flow of additional credit of Rs.1200 lakh (assuming that four fifths of the potential credit flow would be in the first four years). Thus, the efficiency of the Agency in increasing the flow of credit was only about 13 per cent. Even if we include the credit extended through commercial banks (Rs.53.34 lakhs), the total credit flow of Rs.208.44 lakhs gives an efficiency level of only about 17 per cent.

These efficiency figures are worked out on the basis of potential flow of credit for an outlay of Rs.150 lakhs for the five year period. In the first four years the Agency received Rs.46.96 lakhs (and spent Rs.44.49 lakhs). The potential flow of credit for this receipt would be Rs.469.60 lakhs (short and medium term loans, Rs.156.53 lakhs, and long-term loans, Rs.313.06 lakhs). Even after considering this already low utilization of potential outlay, the efficiency of the Agency in increasing the flow of credit worked out to be only about 44 per cent.

Under the assumption that every small farmer needs irrigation facility and also alternate sources of income, the efficiency level of the Agency in the first four years in terms of extending irrigation was about 4 per cent, and in terms of extending alternate sources of income the efficiency was about 8 per cent.

According to norms, an outlay of Rs.150 lakhs was expected to result in flow of additional credit of Rs.1500 lakhs to be spent on various activities leading to improvement of economic conditions of about 50,000 small farmers. This means an additional credit flow of Rs.600 per farmer per year. Net reutn on this additional investment can be a matter of conjecture. Twenty per cent net return on this additional investment of Rs.600 per year would give each of the 50,000 farmers (or farm families !) an additional income of Rs.120 per year, that is, Rs.10 per month, or about two days of additional wages per month at the prescribed rate of Rs.5 per day. If the number 50,000 stands for farm families or households (each with an average size of five), the additional credit flow would provide an additional per capita per month income of Rs.2 to each of the 50,000 farm families.

out of the total outlay of Rs.150 lakh only Rs.37.50 lakh (25 per cent of the total outlay) was expected to go directly to eligible small farmers as subsidy. This amount to Rs.15 per year per farmer or Rs.1.25 per month per farmer (or farm family). A net return of 20 per cent of this amount would further add Rs.3 per year to each member's income.

Thus, theoretically, with an outlay of Rs.150 lakh for five year period the net increase in the income of each of the 50,000 farmers (families) would be Rs.123 per year or Rs.10.25 per farmer (family) per month or Rs.2.05 per capita per month.* This will be the highest standard of effectiveness the Agency can be expected to achieve under the most ideal conditions - full and most efficient utilization of resources, and farmers' production activities operating under absolutely "no risk" conditions. In present case, even this expected, extremely low increase in an average small farmer's income could not be achieved owing to extremely low efficiency of the Agency.

Twenty per cent return on Rs.240.74 lakh gives a total possible contribution of Rs.12.04 lakh per year to income of 45114 small and marginal farmers and landless labourers. This was achieved at a cost of Rs.3.05 lakh per year. Thus, on an average, the cost to the country of increasing the income of a small farmer by Rs.100 per year came to Rs.25 per year.

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* Excluding the net return on Rs.123 of the first and subsequent years if this increase in income occurs at the end of first and subsequent years.

Appendix IV

Case Study of a Farmers Service Cooperative Society (FSS)

1. General

The primary purpose of the FSS was to improve the economy of small and marginal farmers and agricultural labourers. The SFDA and the MFAL were operating in a number of districts for 6-7 years. However, the National Commission on Agriculture found that, in many areas, credit and service needs of this class of the rural population were not met adequately. Hence it recommended the constitution of a new institution to provide finance and other sources to small and marginal farmers. An important feature of the FSS was that control on its management would be in the hands of small and marginal farmers. The Commission recommended (Govt. of India, 1971, p.27) that,

> "a Farmers' Service Society should be formed as registered cooperative body, with bye-laws to ensure autonomy, efficient management and freedom from official intervention to provide the integrated agricultural credit service to the small and marginal farmers and agricultural labourers"

> and that

> "The Farmers' Service Society will be the sole agency taking care of all the developmental needs of the small and marginal farmers, and agricultural labourers either directly or by special arrangements with other agencies."

As regards involvement of large farmers in the affairs of this society, the Commission recommended (Government of India, 1971, pp.28-29) that

> "only those farmers, agricultural labourers, and village artisans who qualify for receiving assistance under the SFDA and MFAL projects should be eligible for the membership of the Farmers' Service Societies. Other sections of the farming community

might be made eligible for associate membership for services without enjoying the rights of voting. As agriculture includes animal husbandry, fisheries, and farm forestry, involvement of the bigger farmers in the service societies might be beneficial in some directions -- as for example in processing and marketing of milk if a Rural Milk Service Organization is set up in a particular areas."

2. The FSS: Bidadi*

The FSS, Bidadi, was the first FSS to be registered in the country. It was sponored by Canara Bank and registered in June 1973.

The authorized share capital of the Society was Rs.2,05,000, made up of 10,000 'A' class shares of Rs.10 each, 100 'B' class shares of Rs.1000 each, and 5000 'C' class shares of Re.1 each. 'A' class share were allotted to individual members above the age of 18 years, 'B' class shares were allotted only to the state government, and 'C' class shares to nominal members. 'A' class shares were divided into two parts: the first part included those who were identified as small farmers, marginal farmers, and agricultural labourers; in the second part were included all other individual members holding 'A' class shares. No fixed number or proportion was reserved for part I or II types of shares. Thus, the original recommendation of the National Commission on Agriculture that only small and marginal farmers, agricultural labourers, and village artisans should be members of the FSS was not taken seriously, and "other" category of farmers were given equal

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* Extract from Gaikwad, 1977, pp.395-428.

opportunities to become members of the FSS.

The management of the offices of the Society vested in the board of directors consisting of thirteen members. Each director was to remain in office for a period of three years. The constitution of the Board was as follows:

A) Nominated Members

i) Four officers are to be nominated by the Registrar of Cooperative Societies.

ii) One nominee is of the financing bank.

B) Elected Members

iii) Five members are elected by the general-body from among individual members holding 'A' class shares and included in Part I of the list of members maintained by the Society.

iv) Two are elected by the general-body from among individual members holding 'A' class shares and included in Part II of the list of members maintained by the Society.

C) Ex-officio Members

v) One managing director is appointed by the board with prior approval of the financing bank.

The first board of directors was to be nominated by the Registrar Cooperative Societies in consultation with the financing bank, and this board was to remain in office for a period of three years. In doing so, the Registrar was ordinarily expected to follow rules for the constitution of the board as mentioned above. The first managing director was also to be appointed by the Registrar of Cooperative Societies in consultation with the financing bank.

The Farmers' Service Society, Bidadi, more or less followed the model envisaged by the National Commission on Agriculture. The only change was that its membership was not limited only to small and marginal farmers, and agricultural labourers as suggested by the Commission. There were no restrictions on other farmers joining the Society and having voting rights. In the 13-member board of directors, representatives of small farmers were in minority, their number being only five. Incidentally, the Commission did not emphasize that the management of the society should be purely in the hands of small and marginal farmers and landless labourers.

According to bye-laws, the first board of directors was nominated by the Registrar of Cooperative Societies for the first three years. Under "Elected Members, Part II" category, he nominated five members. Two of these belonged to scheduled castes, and were marginal farmers. THe remaining three members from this category were small farmers only in the technical sense of the term, since landholdings on their individual names were small. However, all the three were reported to be very well-off, and politically influential. The two other members under "Elected, Part II" category also were well-off persons. The six nominated members on the Board were: 1) Assistant Registrar of Cooperative Societies, 2) Assistant Director of Agriculture, 3) Assistant Director of Animal Husbandry, 4) Block Development Officer, and 5) Manager, Canara Bank, Bidadi branch. The Managing Director, the sixth member, was the ex-officio member of the Board.

The first three-year term of the Board came to an end on June 6, 1976, after which, it was given an extension of six months. This was to be followed by an election. However, the election did not take place. On September 24, 1976, by a gazettee notification the Government of Karnataka reduced the area of operation of the Bidadi Farmers' Service Cooperative Society. The notification set out certain norms to be followed by the societies. These were:

a) The society should cover a population of about 10,000, i.e., about 2,000 families.

b) It should have a lending potential of Rs.34 lakhs.

c) It should cover 10,000 to 15,000 acres of dry land and five to eight thousand acres of wet land.

d) The area of operation should be, as far as possible, within the radius of ten kilometers from the headquarters of the society.

e) There should not be any overlapping in the area of operation of the co-operative society.

Accordingly, from Spetember 24, 1976, the area of operation of FSS, Bidadi, was reduced from 15 village panchayats covering 50 villages to nine village panchayats covering 36 villages. The change in jurisdiction of the FSS was made by the Registrar of Cooperative Societies in exercise of his powers under the Karnataka Cooperative Societies Act of 1959. The reason given for this change was inadequacy of resources of the society in meeting the requirements for agricultural production and consumption purposes of the weaker sections of the population, and for distribution of seasonal inputs.

After this change in the jurisdiction of the society, the Registrar of Cooperative Societies once again nominated members for the Board of Directors for a three-year term. Thus, instead of first three years, the Society would not be managed by the nominees of the Registrar of Cooperative Societies for a total period of six and a half years. In the new Board of Directors under "Elected Members, Part I" category, all the earlier members, except one scheduled caste member, were again nominated. The previous scheduled caste member was replaced by another scheduled caste member. Under Part II category, two new members were nominated. The rest of the members (government functionaries and bank officials) were the same as in the first board.

The bye-laws and rules of the FSS did not provide for any geographical jurisdiction of each elected member of the Board. However, there emerged an informal understanding among the members of "Elected" category regarding village panchayats falling under the "jurisdiction" of each of them. There was an informal arrangement under which each "Elected" category member of the board scrutinized and processed loan applications of the FSS members belonging to village panchayats under his jurisdiction. This informal zonal distribution of work resulted in demarcation of "influence zone" for each "elected" category member.

The Society had a managing director, a manager, two clerks, two attendants, one driver, and one cleaner. In addition, there was a technical cell which consisted of one agricultural extension officer and two village level workers. The managing director was an employee of Canara Bank and had been deputed to the FSS. His salary was paid by the bank. The three employees in the technical cell belonged to the Agriculture Department of the state government, and were on deputation to the FSS. Their salaries were paid by the state government. The main function of the technical cell in the society was to assess the credit requirements of the members, help them to get credit and also take active role in the recovery of loans. The Society paid salaries of the remaining staff.

3. Performance

As on August 31, 1976, about 70 per cent of the total families (7500) were not even registered as members of FSS. Similarly, from the estimated number of 1200-1300 families belonging to scheduled castes/tribes, about 70 per cent of the families were not enrolled. Percentage enrollment of small and marginal farmers and agricultural labourers (who were entitled to SFDA subsidy and other special benefits) out of their total reported number was 42 22 and 4 respectively.

Not all those who were enrolled as members of the society asked for or received services of the society. Out of the 2388 members as on October 1976, 881 (about 37 per cent) did not receive any loan or help at any time from the society. About 20 per cent of the small farmers (only 42 per cent of total small farmers were enrolled) did not receive any loans or services. Similarly, about 36 per cent of marginal farmers, 73 per cent of agricultural labourers, and 40 per cent of "others" did not receive any loans.

It could, thus, be seen that out of 7500 farm families only 1507 members, i.e., about 20 per cent of farming families of the region received some benefits from the society during the four-year period.

The list of objectives of the society was very long and covered a wide range of activities. However, in its first four years' of its existence, the society had concentrated on the following activities:

a) Providing short-term crop loans;

b) Providing medium-term loans for sheep rearing, sericulture, irrigation wells, and pumpsets;

c) Trading in essential consumer items, namely kerosene, sugar, foodgrains, and cloth (non-controlled and controlled);

d) Input distribution (sale) of fertilizers, seeds, implements, pesticides and insecticides, and other agricultural chemicals; and

e) Custom hiring of tractor.

The FSS's short-term loans covered only 5,11,8 and 12 per cent of the small and marginal farmers of the region in 1973,1974, 1975, and 1976 respectively.

Out of the total number of small and marginal farmers and agricultural labourers in the region (3245), only 1194 (37 per cent) were members. (Out of these 3245 total number, and 1194 members only 313, i.e., only 9.6 and 26.2 per cent respectively received medium term loans from the society.)

Thus, the total loan amount extended by the society in the region during the period 1973-76 came to Rs.37,71,517 out of which 73 per cent was short term loans, 20 per cent long term loans, and 7 per cent was for scheduled caste/tribe members. Considering the fact that there were 7500 farm households, the average loan extended for the four-year period was Rs.503, or Rs.126 per year per farm family. Area under cultivation was 29502 acres. The total loan extended specifically for agricultural purposes was Rs.30,59,767 and Rs.37,71,517 (Rs.4,43,000 sheep loan + Rs.2,68,750 scheduled caste/tribe loan). Thus, the average loan per acre for agricultural purposes during the four year period was Rs.107; and per acre per year only Rs.27.

The two other major activities of the society were trading in consumer goods like cloth, foodgrains and kerosene, and sale of inputs, namely fertilizers, seeds, implements, pesticides, insecticides, and other chemicals.

The society sold cloth (both controlled and non-controlled varieties) worth Rs.1.48 lakh in 1974-75 and worth Rs.1.98 lakhs in 1975-76. It also sold kerosene and foodgrains worth Rs.0.85 lakh during 1975-76.

During the period 1973-74 to 1975-76, the society sold inputs worth Rs.19 lakh out of which fertilizers accounted for Rs.17.6 lakh. Seeds, implements, pesticides, and chemicals accounted for only Rs.1.4 lakh. The sale of inputs increased rapidly from Rs.0.935 lakh in 1973-74 to Rs.7.15 lakh in 1974-75 to Rs.10.92 lakhs in 1975-76. The sale of inputs was linked with the disbursal of crop loans.

The society made profit on its trading activities. The total gross profit from trading account during 1973-76 was about Rs.1.03 lakh.

4. Profit and Loss Account

According to the profit and loss accounts for 1973-74, 1974-75, and 1975-76, the society suffered a net loss of Rs.39,164.47. Its total income was Rs.3,32,298.77. Its major sources of income were interest on loan from members (46 per cent), gross profit from trading (31 per cent), and subsidy from government (15 per cent). Discount and commission from input supply companies, and income from other sources accounted for about four per cent each. There was a negligible income of 0.14 per cent from agro-service (tractor) unit. Thus, the society earned a major part of its income by activities pursued by those who become rich in rural areas, namely by money lending and trading. Added to these was the subsidy provided by the government. The only non-traditional activity was agro-service unit which, instead of making a profit, suffered a net loss of Rs.43,513.61.

During this period, the society's total "expenditure" was Rs.3,71,463.24. The major heads of expenditure were: salary, establishment, etc. - 29 per cent; interest paid to the bank - 59 per cent; and loss in tractor unit about 12 per cent. The total interest on loan received by the society from its members was Rs.1,52,169.44, while the society paid Rs.2,19,828.46 as interest to the bank. Even though the interest rate charged by the society to its members was greater than that charged to it by Canara Bank, the Society did not make any profit on interest account in the three-year period.

About the viability of the FSS, Bidadi, following observations could be made:

1) During this period, the society incurred a net loss of Rs.39,164.47. On tractor account alone it incurred a net loss of Rs.43,983.80, in spite of a subsidy of Rs.23,160 from the SFDA. If it had not taken up the activity of tractor service and had not received any subsidy from the SFDA, its loss would have been reduced to Rs.18,340.67.

2) If it had not received any subsidy from the government (for tractor, managerial cost, etc.) which amounted to Rs.48,871 and continued all its activities, its net loss would have been Rs.88,035.47. In the absence of tractor unit activity, the loss would be Rs.44,052.47.

3) The salary of the managing director and the staff in the technical cell (one agricultural extension officer and two VLWs) were paid by the bank and the state government respectively. On a rough estimate, the total salary including allowances and benefits of these four persons would be about Rs.4000 a month, i.e., about Rs.1,44,000 for the three-year period. If the society was required to pay the salaries of these four persons, its loss would amount to Rs.2,32,035.47. In the absence of tractor unit the loss would come down to Rs.1,88,052.47.

4) As on August 31, 1976, the share capital from members was Rs.2,41,501, from the government, Rs.30,000, and from the SFDA, Rs.6160. The above

tentative estimates of net loss indicate that if the society had not received any subsidy from the government on salaries of staff and other accounts, and continued its tractor unit activity, its net loss of Rs.2,32,035.47 would have more or less wiped out the members' share capital of Rs.2,41,501.

5. Self Appraisal

The society, especially its managing director, was quite concious of the achievements and limitations of the society, as could be seen from the following abstracts taken from various documents and reports prepared by the managing director from time to time.

> "If the performance of the society is measured in relation to the area of jurisdiction, it is not satisfactory; if measured in relation to the other financing institutions in the area of jurisdiction of the society, it is satisfactory; and if measured in relation to the help it has given to small farmers it is very satisfactory."

In an other document, it was observed:

> "The society has been functioning for the past three years and has discharged its responsibilities to the community in satisfactory manner in terms of its objectives and goals in a very commendable way in comparison to what has been done for the community for the past decade and to astronomical heights in relation to the cooperation and guidance received from the different government agencies and officers who are on the Board of Directors of the Society, and the attitude

of the financing Bank towards the Society."

"The Society has disbursed credit of about Rs.25 lakh to 1700 members of the society. The coverage is not at all sufficient to transform the society into a viable unit as we have to depend solely on the income generated out of landing for meeting the establishment costs, etc. The society has created awareness in the community and this is bound to result in mass participation."

"What cooperative movement and the government extension agencies have not achieved in a decade, the society has been able to establish and achieve with a certain degree of success. This can be judged from the increase in transactions and turnover from Rs.9 lakhs to Rs.34 lakhs to Rs.55 lakhs in three years' time."

"The Society has not received any guidance from the government officials who are on the Board in coordinating programmes, etc. They have always shown a tendency to be indifferent to promotion or execution of any programmes. They try to find faults, but claim credit for the success of programmes. The programmes of the society are formulated and worked out by the team of extension staff in consultation with the local village leaders and Directors."

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