CHAPTER - I

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Agriculture occupies the pride of place in the economy of India. It is the largest single source of State's income which provides broad and strong base to the economic growth. Agriculture is the way of life for Indians. Farmers are attached to their soil and they call it "Bhooma Devi" (Mother Earth) and they conduct 'Bhoomi Puja' (Prayers to Earth) for more wealth from Mother Earth. The rural India was characterised by social isolation, physical segregation and cut off from the wider World. The rural people are suffering from illiteracy, ignorance, unawareness, poverty, unemployment, domination and exploitation of haves upon havenots, casteism, untouchability and other social evils. They had limited options

for their development. Consequently the rural population is socially backward, economically weak and psychologically depressed. This has resulted in shaping of their behaviour in tune with the prevailing social structure.\(^3\)

Being the institution of socio-economic welfare, the co-operative societies designed to relieve the weaker segments from the clutches of middlemen, exploiters and parasites in rural credit transactions.\(^4\)

The concept of co-operation gained currency and took its shape for the first time in India in 1904 with a cherished object of providing credit to the needy and combat rural indebtedness. Since introduction of co-operative credit societies, the co-operative movement in India got its start and

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3. \textit{Ibid}, p.747

achieved notable progress in the fields of agricultural credit.  

Through co-operative societies, the peasants can come together and bring about agricultural development. They facilitate to set in motion the democratic participation of members irrespective of caste, class or creed and thereby strived to eliminate some of the major problems like casteism, physical segregation, etc.

Co-operation is a world wide movement. It has acquired new dimensions covering all socio-economic areas of human life. The concept has been accepted by all economic and political thinkers as a non-violent, participatory and democratic system of life.

The democratic values like equality, opportunity, rule of majority are all put into practice at the microlevel through co-operative organisation in villages. This, in turn, leads to political consciousness among the participating members in the co-operative organisation which is essential for the development of the country.  

Another important development since inception of co-operative societies in rural areas is the change in the leadership pattern. The formal leadership came into being through these institutions and facilitated the election of meritorious and hard working individuals. This has facilitated for the elimination of tradition bound, caste, class based hereditary informal leadership found in village life.  

9. Ibid. p,350
Co-operative society is like a state within a state in as much as it has fixed areas, specified membership, committee to manage and general body as supreme authority like a state which has four ingredients as territory, population, Government and sovereignty.  

Co-operatives reflect the hierarchy of needs and values of every human being, progressing from physical safety, economic security, social acceptance to spiritual or moral satisfaction.  

In India and most other developing countries co-operative organisation came into being as a result of state policy. In these countries co-operation has been accepted to be an instrument for implementation of state policy. In fact governmental effort in the organisation of

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co-operation has been the main spring for the co-operative development of India. It is necessary to understand the meaning of co-operation, the co-operative society, its objective and role as also the place of agriculture, its objective and importance to facilitate an understanding of the history and development of Tudiyalur Co-operative Agricultural Services Ltd.  

Co-operative concept is not new to India. It was practised in the country in various forms in ancient days.  

Literally co-operation means working together. We may define co-operation as acting together to accomplish the common good through co-operative principles.  

In the evolution of agricultural co-operation, Louis Smith defines a co-operative as an association belonging to economic units controlled by them for service to themselves in which the risk of profit or loss is borne by variable price of goods and services rather than profit on capital. ¹⁵

Vaikunthlal Mehta defines co-operation as one aspect of a vast movement which promotes voluntary association having common needs who combine together for the achievement of common, economic needs. ¹⁶

But Calvert defines co-operation as a form of organisation wherein the persons voluntarily associate together as human beings on the basis of equality for the promotion of economic interests of the society. ¹⁷

¹⁵. Smith Louis, P.F. The Evolution of Agricultural Co-operation, 1963
¹⁶. Memoria, C.B. Co-operation in India, p.125
¹⁷. Calvert, H. Law and Practices of Co-operation, 1921, p.11
The organisers of Tudiyalur Co-operative Agricultural Services Ltd. conceived, "Co-operation as a way of life whereby they could unite democratically in the spirit of mutual and to get the largest possible access to the things and services they need".\textsuperscript{18}

They also conceived it as "an association belonging to economic units controlled by them for service to themselves to which the risk of profit or loss, is borne by a variable price of goods and services rather than profit on capital."\textsuperscript{19}

The credit of starting the co-operative society in the present form goes to Mr. Schertze Delitzch and Raiffeisen who started a society for distributing potatoes and bread to the poor

\textsuperscript{18} Warpase, James, P. The Co-operative Way, 1946
\textsuperscript{19} Op. Cit., Louis Smith
in the year 1848 and a year later another society for helping the small farmers in Germany.  

The Famine Commission of India pointed out in 1901 the need for introducing co-operation to help farmers for the first time in the history of India. Thus co-operation as a concept gained currency in India. In 1904, the first Co-operative Societies Act was passed with the objective of establishing co-operative credit societies to provide credit to the needy farmers to solve the problem of rural indebtedness, alleviate the sufferings of the weaker sections of the community and the exploitation by the privileged upon the under privileged.

The organisation of the credit co-operative was designed to provide confidence to people who


21. Iyengar, A study in Co-operative Movement in India, Bombay 1965, p.3
agree to come together to solve their problems. They are also designed to be independent and be capable of taking their own decisions in accordance with the by-laws of the society and the wishes of the members. The strength or the success of the co-operative would lie in the provision of the services to the members at reasonable prices. 22

The basic features of the business co-operative undertaking are envisaged as basic commercial activities, working on non-profit basis owned by the members as users and controlled by them. It is also envisaged as an organisation to meet the economic needs of members joining voluntarily and compensating them proportionately. 23

But this enactment of 1904 was found not sufficient to meet the needs fully as credit alone

23. Ibid, pp. 399-401
was not the only need. The farmers required seeds, fertilizers, pesticides, irrigation facilities etc. They also need consumer goods. Daily consumption needs need to be procured and supplied at reasonable prices. Therefore, a new enactment was made in 1912 providing for services other than supply of credit. The Tudiyalur Co-operative Agricultural Services Ltd. provided for the supply of not only farm inputs but also other services.²⁴

The Act of 1912 removed the deficiencies of the Act of 1904 and permitted for the first time the organisation of non-credit co-operative societies such as the co-operative stores, co-operative marketing societies, co-operative processing units, e.g. the co-operative spinning

²⁴. Personal Interview with Thiru S. Karuppuswami, Former Secretary of TUCAS on 13.8.91
mills, the co-operative sugar mills, co-operative fruit processing societies, weavers' co-operatives, potters' co-operatives, coir workers co-operatives, metal workers co-operatives.  

Such provisions in the new Act of 1912 facilitated formation of a large number of co-operative spinning mills and sugar mills. These are very highly capital intensive and employed a large number of workers.

Thus the Act of 1912 enabled Indian Co-operative Movement to diversify on a large scale. The number and variety of co-operatives increased enormously. The turnover also is very high when all co-operatives are put together. Indian co-operatives have no parallel in respect

25. Personal Interview with Managing Director, The Dharmapuri District Co-operative Sugar Mills Ltd.

of their number of members, diversification of activities and turnover. 27

However, the Munt-Ford Reforms of 1919 resulted in the co-operation being transferred as a state subject. The state governments took interest in co-operative development and started enacting provincial legislation to regulate and promote the co-operatives. Government interference in co-operative administration started. 28

The rapid growth of the co-operative movement between 1919 and 1930 is characterised by Mr. Ramdoss Pantulu as the period of unplanned expansion. 29

The economic depression during 1929-33 had its repercussions on the healthy growth of the

27. Ibid
28. Alak Ghosh, Indian Economy, p.253
29. Pantulu, R. Year Book and Directory of Indian Co-operation, p.1
co-operative societies consequent on its bad effect on Indian agriculture.  

The catastrophic fall in the prices of agricultural commodities and the land threatened the existence of some societies and violently disturbed the economic stability of many others. Recovery of loans was rendered difficult. There were accumulations of overdues and even freezing of society’s assets. There was a serious contraction of co-operative credit.  

The Royal Commission on agriculture (1928) and the central and provincial Banking Enquiry Committees (1929) indirectly made recommendations for the co-operative improvement. The Royal Commission stated that the main cause of failure of the co-operative movement was the

30. Rudder Datta, *The Indian Economy*, p.427
lack of education and inadequate supervision and guidance. It further remarked that if co-operation fails, there will fail the best hopes of rural India.  

The Agricultural Department of the Reserve Bank of India stressed the importance of multi-purpose co-operative societies.

The popular ministries which assumed charge of provincial administration at that time started playing an effective role in reviving the movement.

During the II World War (1939-45) prices of agricultural commodities rose very high. This led to co-operatives which gave importance to production and distribution. The country

32. R.B.I. Review of Co-operative Movement in India, 1941, p.4
34. Ibid
35. Sami Uddin, Co-operative Sector in India, p.29
attained independence in 1947 which started the next stage of the history of the Co-operative Movement in the country.\textsuperscript{36}

The popular governments at the centre and the state began to concentrate on the activities of the co-operatives. The National Government began to take steps for the expansion and revitalisation of the co-operative movement.\textsuperscript{37}

The Government of India set up the Planning Commission and launched Five Year Plans. In the First Five Year Plan, co-operation was recognised as an instrument of planned economic action in democracy.\textsuperscript{38}

The Planning Commission wanted to avoid excessive centralisation and bureaucratic control.

\textsuperscript{36} Tyagi, \textit{Recent Trends in Co-operative Movement in India}, p.15
\textsuperscript{37} Alak Ghosh, \textit{Op.Cit.}, p.254
\textsuperscript{38} Memoria, C.B. \textit{Op.Cit.}, p.198
It also wanted to curb the acquisitive instincts of the individual producer working for himself. 39

The II Five Year Plan recognised co-operation as an effective instrument for fulfilling the objectives of the Five Year Plan. 40

The Congress Party at its Nagpur Session in 1959 announced the new agrarian organisational pattern in which co-operatives became the cornerstone of the main structure of the III Five Year Plan. 41

Thus co-operation became the kingpin of developmental planning in India.

It was necessary to raise the productivity of Indian agriculture consequent to the growing population and limited cultivable area. Technical

39. Ibid
changes needed to be introduced in addition to reclaiming cultivable waste, extending irrigation facilities. It was important to use better fertilizers, seeds and implements. These had to be done by service co-operatives. But in the Western World, the co-operatives were not organised as a matter of state policy. Co-operatives were founded by the members because of their felt economic needs. There were the consumer's co-operatives of England, Producers' co-operatives of Ireland and Credit Co-operatives of Germany.  

Tamil Nadu has the privilege of being the first state to register a co-operative society under the Co-operative Societies Act of 1904. It has blazed a new trial in co-operative movement and a large number of service minded men took active part in the promotion of the co-operative

42. Ruddar Dutt, Op.Cit. p.427
movement in our State. As a result of such dedicated work of those public spirited people, Tamil Nadu can look back with legitimate pride of its new strides of progress in co-operative movement. As a result of people's participatory role in promoting co-operation, 22 types of co-operative institutions and organisations such as printing press, electric co-operative societies and farming societies have been functioning in Tamil Nadu.  

Pandit Jawaharlal Nehru had a strong faith in co-operation. He felt it is the ways and means to develop our rural people. He disclosed his feelings on co-operation in the following words at the State Ministers' Conference in 1961 "I hope that I have made you appreciate my own rather strong feeling on the subject co-operation. I

44. Ibid, p.432
think it is a basic thing for our agriculture, for our industry and still more for our whole attitude to life, national and international.

Our Government realised the essence of co-operation and decided to use it as an instrument to change the social and economic condition of our villages and now it became an integral part of the economic policies and programmes of the Central and State Governments. Co-operation to-day has been spread in all possible directions and our leaders and the member-users think of their achievement with pride and joy. 45

The philosophy of co-operative organisation is to serve the common man and to liberate him

from the oppression of the economically strong people and organisations. Mutual assistance and service is its objective. It aims at encouraging self-help on the part of economically weaker sections of the society by looking after their own affairs in co-operation with one another. The principal theory of true co-operative organisation is the elimination of profit and provision of goods and services to members at low cost.  

The co-operative organisation functions with the laudable aim of "all for each and each for all".  

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46. Shukla, M.C., Business Organisation and Management, 1988, p.70

47. Vinayakram Radhaswamy, Vasudevan, A Text Book of Business Organisation, 1986, p.69
In the past, co-operatives were organised for specific purposes i.e. for credit, for marketing, for purchase and sale, for better farming and so on. The general principle followed was: one village, one society and one purpose. Single purpose societies were working with limited resources and in a small way to satisfy primarily only one want of the farmers. They did not go for enough to satisfy all the requirements of farmers and cover all their activities. Such societies could not naturally be expected to bring about an appreciable movement in rural life. Hence under the Reserve Bank of India, there was a shift from single purpose to multipurpose societies which would tackle the rural problem as a whole. The multi-purpose co-operative societies have come to be known as service co-operatives.\footnote{Op.Cit. Ruddar Dutt, p.437}
Of all the forms of co-operatives, the most important is the service co-operatives. The founders of the Tudiyalur Co-operative Agricultural Services studied the history of co-operatives of India and those of the World and opted to make the Tudiyalur Co-operative as a real co-operative service society and aimed at providing all the services to farmers under one roof.