RURAL DEVELOPMENT
THROUGH COOPERATIVES IN MEGHALAYA

A CASE STUDY OF THE ROLE OF
The Meghalaya Cooperative Apex Bank Ltd.

CHAPTER - I

INTRODUCTION

Origin & Overview of Cooperatives,
Objectives of Study, Methodology
And Hypothesis
A. ORIGIN & OVERVIEW OF COOPERATIVES

ORIGIN OF COOPERATIVES

It is popularly said and earnestly believed that even the richest country with benevolent and potential government, cannot do for its citizens a fraction of what the people can achieve for themselves through collective efforts. The development of the world over the centuries has shown that for a concentrated development at all levels, it is ultimately the people who have to come together and organise themselves for individual development on collective basis. In this direction, the philosophy and practice of cooperation has been an age old and time tested mechanism, which withstood the passing passages of time and waves of political, social and economic ideologies. Cooperation as a means of development has been the foundation of developments all over the world. The developed, developing as well as the underdeveloped countries have had adopted cooperation as a means to their social and economic
reconstruction. Cooperative means working together for the achievement of common objective.

The cooperative activity traced its origin in the early years of human civilization and instances of cooperative way of work were found in the ancient Egypt, Babylon, Greece and China before the Christian Era. However, the development of cooperatives was not uniform all over the world. Different countries adopted different methods and approach towards cooperatives and development through cooperatives. Therefore, there has been a considerable unevenness in the development of cooperatives over the years. In fact, this has facilitated for greater innovations and flexibility in cooperatives and cooperative philosophy.

OVERVIEW OF COOPERATIVES

ENGLAND - THE BIRTHPLACE OF COOPERATIVE MOVEMENT

England is regarded as the birthplace of cooperative movement in the world. In fact, the cooperative movement started in England in the second half of the eighteenth century. Before the Industrial Revolution in England, the condition of agriculture and industry were similar to those of underdeveloped countries. Agriculture was mostly carried on traditional and
conventional manner. Few industrial units were established and they were located only in urban areas. The condition of the farmers and workers was miserable and they suffered from extreme economic miseries and social disparities.

**Robert Owen – founding father of Cooperative in U.K.**

Robert Owen of Welsh born in 1771 a young manager and a proprietor of New Lenark Mills was moved by the abject sufferings & miseries of the working classes. He initiated several humanitarian & socio-economic welfare services for the benefit
of workers & labourers. He reduced the working hours in his mill from the prevalent daily seventeen long working hours to ten hours with full wages and advocated for abolition of competition, private profits, selfishness and better working condition for the workers. He also introduced a scheme of self-help amongst the working classes for improving their economic condition. With his benevolent efforts & support, the workers began to organise themselves and realise the benefits of working together for achieving their common good.

Simultaneously, the followers of Robert Owen established a society in the name of National Equitable Labour Exchange in 1832 with the membership of both producers & consumers and succeeded in keeping the middlemen away from them through "Labour Notes" i.e. exchange of work hours for the commodities & goods. In this way, the seeds of cooperation were sown in Great Britain & the exploitative role of the middlemen were kept at bay. Though the "Labour Notes" or exchange did not succeed, yet the Owenist efforts laid the foundation of consumers' cooperative stores movement in England. Robert Owen throughout his life inspired the working classes to organise themselves on cooperative basis and carry on their economic and other activities jointly so as to improve their economic condition & lead a happy life.
Charles Howarth, a leading personality and 27 others of Rochdale Pioneers including a lady came forward and established a Consumers' Cooperative in the name of Rochdale Equitable Pioneers Society in 1844 at Lancashire, a textile town with population of about 25,000 persons and meager working capital of £ 28. Later this society became famous as Toad Lane Store. The objectives of the society were to protect the consumers and the working classes from exploitation of middlemen, pool the small savings from members to a common good fund, establish store for supply of quality commodities to the members at reasonable prices, purchase and construct houses for the members, undertake production activities for providing employment to the un-employed members, purchase and acquire estates for cultivation for the benefit of unemployed members, set up temperance hotels etc for the promotion of society on self-help and mutual help basis. The Rochdale Pioneers were influenced by the humanitarian philosophy of Robert Owen and therefore, Robert Owen was regarded as the founding father of the modern cooperative movement in England.

With the success of the Rochdale Pioneers Consumers Cooperative Society, the consumers cooperative movement
began to spread throughout England, Europe and other countries of the world.

**Germany - the creator of Coop. Credit & Banking**

Germany gave lead in the field of the cooperative credit and banking system in the world. The pioneers of the cooperative credit movement in Germany were – Hermann Schulze (1808-1883) and Friedrich Wilhelm Raiffeisen (1818-1888). In the middle of the 19th century, conditions of the German people in both rural and urban areas were alarming and miserable. The artisans, small traders and the farming community were completely at the mercy of the Jews and they mercilessly exploited them and condition of the common men was horrible. At that time, there was a saying in Germany that 'once you were beguiled into trading with one of the Jews, you were surely caught as a fly in the spider's web and you were made to buy from him, sell to him – all at his dictated price. Germany was made the usherers Hell and the plight of the people was beyond description.
Hermann Schulze - Founder of Handicrafts Cooperatives

And Peoples' Bank.

Hermann Schulze
1808-1883

Hermann Schulze, a Mayor and the Judge of a small town in Delitzsch near Leipzig was moved by the sufferings of the common people and took the initiative for organising the carpenters in order to provide some relief to them. He established an association of shoemakers in Delitzsch in 1849 for purchase of raw materials at reasonable prices and arrange for sale of finished products at remunerative price. Soon he also realised the need for setting up of an organisation for the supply of cheap and facile credit to the small traders, artisans & the
entrepreneurs and established a 'Loan Society' on cooperative principles of 'Self Help' and 'Mutual - Help' in the year 1850 at Delitzch town.

This was the beginning of the splendid cooperative movement in the urban areas of Germany and Hermann Schulze went into the history as founder of handicrafts cooperatives and 'Volksbanken' i.e. Peoples' Bank. The Cooperative Act of 1889 for purchasing and marketing cooperatives in Germany passed in 1 May 1889 was based in the ideas of Hermann Schulze. This Cooperative Act laid down the framework of the Byelaws of all cooperatives as well as the basic objective and purpose of a cooperative for promotion of gainful and economic activities of members through joint business operation in Germany.
Almost at the same time, another doyen of cooperative movement, Friedrich Wilhelm Raiffeisen, a Mayor of the District of Weyerbusch set up a Bakery Society in 1847 in Weyerbusch for supply of breads to the rural people who suffered from deadly starvation from the devastating famines of 1846 and 1847 in Germany. The countrywide famine came as a curse to the rural people and the cruel moneylenders made the life of the common man a living hell by exploiting them mercilessly. In order to help
the suffering people, he began to collect flour with the help of private donations and baked them in the self-built bake-house to distribute breads on credit to the poorest amongst the people. Raiffeisen realised that his Bakery Society as well as the Aid Society established in 1849 in Flammersfeld could not mitigate the sufferings of the rural people. So he began to organise the farmers and founded a benevolent loan society at Heddesdorf in 1854 for assisting the credit starved villagers with soft loans. In 1864, he converted this benevolent loan society into a "Thrift & Loan Society" by enrolling the borrowing farmers as members of the society on the basis of self-help, mutual help & active participation of members. This marked beginning of the rural credit movement in Germany and Raiffeisen became the immortal father of the rural cooperative credit movement in the world.

The objectives of Schulze-Delitzch Societies were to pool the resources of the members, raise deposits from non-members, re-discount bills from other Banks, provide credit to the members and to improve the economic condition of the urban poorer sections while Raiffeisen cooperatives were dedicated for mobilisation of resources from the members and non-members belonging to the rural areas and for ameliorating the socio-economic conditions of the farmers and the down trodden people in the rural areas.
“What is n’t possible for the individual is possible for many persons acting jointly” - F.W. Raiffeisen

RAIFFEISEN MONUMENT

RAIFFEISEN VILLAGE

The Author has the privilege of visiting the Raiffeisen Monument in Nuewied and also the Raiffeisen Village in May 1993 where F.W. Raiffeisen was born (now a museum) with an Indian Delegation.
French – the architect of producers’ cooperatives

France was the pioneer of Producers’ Cooperatives. Under the inspiration of two French stalwarts Buchez and Blane, Producers Cooperatives were organised in France during 1831-1841 to help the producers from the exploitation of middlemen and the cruel moneylenders who were mostly Jews. The Producers’ Cooperatives were doing well in the initial years with the subscriptions obtained from the interested persons and the liberal financial assistance and support of the French Govt. However, most of the societies failed by 1851 and the main reasons for their failure were lack of loyalty and lack of interest of the members to their organisation, lack of skill of the members to manage business activities, indiscipline & liberal financial assistance received from the French Govt. In 1867, the French Govt. passed a new law to revive the Producers’ Cooperatives and a Bank was established to support to the producers’ cooperatives with the required capital for their functioning.

Charles Fourier – Doyen of cooperative movement in French

Charles Fourier, an industrial idealist of French gave a lead towards integrating the cooperative societies and brought the
Consumers Cooperatives, Producers' Cooperatives, Labour Cooperatives and Cooperatives for living under a common umbrella. This enabled the societies to offer multipurpose services to the members and eliminated the exploitative role of middlemen without making radical change in the existing framework of the societies. The France has developed an integrated system for agricultural credit with National Agricultural Credit Bank at the top, Regional Banks at the intermediate level and local or Village Banks at the base level.

Charles Fourier
1773-1837
Denmark - The Torch Bearer of Agricultural Cooperatives and Dairy Farming

Denmark is the leader in the field of Agricultural Cooperatives in the world. The movement was essentially a people’s movement and the Government took the initiative as early as in 1814 to educate the common people systematically through Agril. Schools, Rural Schools and High Schools. These schools particularly the Folk High Schools, Agri. Schools and Young Farmers Clubs were described as ‘hot beds’ of the cooperative movement in Denmark, which facilitated the growth, and development of cooperatives on sound cooperative principles.

In Denmark, the cooperatives diversified their activities and extended to Agricultural Farming, Dairy Farming, and Consumers’ Stores & Insurance. The country has developed a strong dairy farming in the world and Denmark is known as the Dairy Farm of the Europe. The success of the Dairy Cooperatives in Denmark was due to voluntary and unlimited liability of members, effective cooperative marketing network and coordination with the Bacon Industry.
USA is regarded the leader of marketing cooperatives in the world. The cooperative movement of USA is as old as the history of settlers in the land & the country's first cooperative law was passed in the year 1865. Before passing of the Cooperative Act, cooperation was practiced by the farming community in USA through informal gatherings called 'Bees'. The first phase of cooperative movement was in the form of Associations of Buyers and Sellers of Cheese and Dairy Products, grains, livestocks, fire insurance etc. After the enactment of cooperative law in 1865, cooperative movement was formally started in the USA and this movement was known as 'Grange Movement'.

The National Grange was established in 1867 with the initiative of Oliver Hudson Kelly, a farmer in Minnesota and thereafter Granges at the Local and State level were organised for undertaking buying and marketing of agricultural products. After the great depression of 1929, most of the factories in USA were closed down and the working classes were thrown out of employment and US Govt. looked upon the cooperatives as alternative means to address to the problems of its citizen
faced under the capitalism. The emigrants from Germany, Denmark and other European countries influenced the Cooperative Movement in America to a considerable extent. Now, USA is famous for strong marketing cooperatives in the world besides good network of Agril. Credit & Rural Service Cooperatives.

Thus, cooperative movement has proved its worth & suitability even under the capitalism and it has also grown and flourished under the capitalistic system of economy.

Oliver Hudson Kelley
Minnesota Pioneer, 1849-1868
Sweden – Organiser of Cooperatives as Business and Social Welfare Units

Sweden is one of the three Scandinavian Countries (other being Denmark & Norway) and the cooperative movement started in the Country during 1860-70 with the organisation of Consumers' Stores on Rochdale model and credit cooperatives on German line. The cooperative movement of Sweden was broadly classified under – (a) Consumers Cooperatives, (b) Agricultural Cooperatives & (c) Housing Cooperatives. Cooperatives in Sweden have laid emphasis on social responsibility along with their business activities. The Swedish Federation of Credit Societies was formed in 1930 & after that, the coop. Credit movement got the momentum and began to spread in the entire country. Now, the Sweden has National Credit Bank, Central Bank and Local Credit Societies. Sweden has also a cooperative organisation in the name of Swedish Cooperative Centre (SCC) to support development of cooperatives in developing countries as well as in Eastern Europe. The unique feature of Swedish Cooperatives is their combination of business with social responsibility.
RUSSIA – INNOVATION OF COOPERATIVES UNDER COMMUNISM

The history of cooperative movement in Russia can be traced as early as in 1860 and the cooperative existed in the country in the crude form of 'Labour Artels'. According to Russian law, a Labour Artels was an association formed to carry on certain industry or render personal services on the joint responsibility of the members and for their joint account. Before the end of Serfdom in Russia between 1861 – 1865, the condition of the people both in the rural and urban areas were miserable and they led horrible life with starvation deaths as their final destiny.

This being the condition of the common man, some Russians thought of organising credit cooperatives for the relief of the suffering people and formed the country's first credit
cooperative society in 1864. In the subsequent year, the Govt. also approved organisation of consumers' cooperatives and this marked the beginning of cooperative movement in Russia from 1865. Then Russia was ruled by Czar and the Czar Govt. did not like the cooperatives to grow or develop and hence, progress of cooperatives was very slow during the Czarist rule. When the Russian Revolution broke out in 1917, there were 16500 credit societies, 8000 agricultural cooperative, 25000 consumers' cooperative stores & 4500 producers' cooperatives in Russia.

**Progress of Cooperatives during Communists Rule**

When the Communist Party came to power in 1921, the cooperative movement began to develop and flourish rapidly. The Govt. nationalised the industries, requisitioned the surplus farm produces and appointed consumers' cooperative stores as agents of the state for distribution of food products. Membership of consumers' cooperative was made compulsory and National Union of Consumers' Societies known as 'CENTROSOYUS' was set up by the Govt. under its control. Cooperatives were given a new role and merged them on the basis of collective ownership by the Government. However, under the New Economic Policy, the Govt. restored autonomy and
independent functioning of the cooperatives and extended necessary support to the cooperatives in the country's successive five years plans. Thus, the cooperatives had rendered yeoman's services in the economic development of Russia particularly in the field of Consumers' Stores, Collective Farming & Handicrafts.

From the brief of the cooperative movement of different countries of the world as stated above, it has been established that the cooperation and cooperatives have no conflict under any economic system or political ideology and that the cooperatives can grow, prosper and play effective role in the socio-economic development of the people under any form of Govt. be it under Laissez-faire or free-economy, capitalism, socialism or communism.

India and the Cooperative Movement

India lives in Villages. Rural India is real India. Almost Three-Fourths of India's population lives in Villages. It is predominantly an agricultural country and the farmers were entirely dependent on agriculture for their livelihood. The condition of the farmers were miserable and the famines of 1861, 1866, 1873 and 1876 made their life worst with
starvation death as regular feature. Unscrupulous money lenders and Sahukars taking advantage of the plight and pitiable condition of farmers started exploiting them and grabbed whatever they had by lending money with exorbitantly high rate of interest. This was the condition prevailing almost over all the rural India. To alleviate the sufferings of the common man and to save them from the inhuman exploitation of the Sahukars and Moneylenders, the Government under British Raj began to search for some solution. Commissions and Committees were set up by the Government one after another to deal with the acute sufferings of the common people and to suggest appropriate measures to mitigate their sufferings suitably.

**Finance Commission, 1880**

The Finance Commission of the Government set up in 1880 recommended for grant of loans to the farmers for land development and the state Governments were empowered to frame rules for disbursal of such loans. Revenue staff was authorised to disburse Long-term Loans for land development/improvement under the Land Improvement Loans Act of 1883 while Short-term Loans were issued for cultivation purpose under the Agriculturists Loans Act of 1884. Despite
the efforts of the Government, the farmers did not get necessary relief from this loaning as Taccavi Loans had lot of defects and shortcomings in the system and in its implementation. With the failure of Taccavi Loans and the Government efforts for financing the agriculturists and agricultural development, the British Raj turned towards Cooperatives for alleviation of the sufferings of poverty stricken millions of Indian farmers.

The Madras Government was the first who took initiatives for organisation of Cooperatives on the lines of 'NIDHIS' – an indigenous type of Societies in Southern India. In India, Cooperation has been the basic fabric of social and cultural life of our people and it has been practiced from time immemorial in almost all the social activities and gatherings. The Cooperation was practiced and continued in India in most informal fashion until the end of 19th Century.

**Recognition of Cooperative Movement – Recommendations of Nicholson & Dupernex**

In the early years of the Twentieth Century Cooperatives were recognised as means for socio-economic development of the down trodden and common people. Wenlock, the Governor
of Madras in 1892 appointed Mr. Friedrich Nicholson, ICS, on special duty to study the theory and practice of agricultural and other Banks in Europe especially in Germany and to suggest if similar system could be introduced in India. Nicholson studied the German System and suggested setting up of Village Cooperatives in the Country on ‘Raiffeisen’ model. Almost at the same time, Mr. H. Dupernex, another ICS Officer made studies of the agricultural credit system in Northern India with a view to devise a suitable credit delivery system for the farmers. He too strongly advocated for establishment of People’s Banks for Northern India. The recommendations of Nicholson and Dupernex paved the way for organisation of few pioneer Cooperatives in Northern States like Punjab, UP and also Bengal with the initiatives of the local Governments. In 1900, a Government of India committee concluded that ‘the best way of providing loans to the farmers is to start Cooperative Societies on the lines of Raiffeisen Societies’.

**Indian Famine Commission, 1901 & Edward Committee 1901**

Similarly, the Indian Famine Commission in 1901 strongly advocated for organisation of mutual credit associations for providing facile credit to the farmers and prevention of miseries
of the farming community. In 1901, Lord Curzon appointed a high power committee under the presidency of Sir Edward Law. The Edward Committee made various recommendations as a result of which the country's first Cooperative Credit Societies Act of 1904 came into existence. The Act of 1904 laid the foundation of the Cooperative Movement in the Indian soil and heralded the beginning of the formal Cooperatives on Raiffeisen model.

George Curzon
Governor General & Viceroy of India
1859 –1925
Recommendations of Edward Committee - Act of 1904 and Organisation of Cooperatives.

Under the Cooperatives Societies Act of 1904, Credit Cooperatives were considered as the most suitable agency for removal of the abject poverty of the millions of Indian farmers and accordingly Credit Cooperatives were organised throughout the Country. The chief objective of the Credit Cooperative was to provide cheap and facile credit to the farmers and other weaker sections who were starving for want of credit for their agricultural activities. However, soon it was realised that only the Credit Societies couldn’t solve the problems of the poor people and the farmers. The Act of 1904 was found inadequate to meet the vast requirements of the rural development as no legal provision was there for formation of other type Cooperative Societies under the Act. The Act of 1904 also did not provide for organisation of Central Financing Agencies, Federation of Primary Cooperatives, etc. and hence, a broad based cooperative legislation was necessary. The Government of India took necessary steps for legislation of a comprehensive Act and a new Cooperative Societies Act was passed in 1912 replacing the Act of 1904 to remove the defects and deficiencies in the old Act.
The Act of 1912 was more scientific in nature and it provided for organisation of Primary Cooperatives with limited and unlimited liabilities. The new Act also legalised establishment of Cooperative Union, Central Financing Agencies, Banks, etc. As a result, there had been a phenomenal growth in Cooperatives in the Country. The Government of India then appointed a Committee under Edward Maclagan in 1914 to assess the progress of the movement and suggest measures for effectively dealing with the expanding Cooperative Movement.

The Maclagan Committee narrated the purpose and objective of the Cooperatives thus: "The Chief Objective of Cooperative in India was to deal with the stagnation of the poorer classes and more especially of the agriculturists who constitute the bulk of the population. It was found in many parts of India as in most European Countries that in spite of the rapid growth of commerce and improvement in communications, the economic conditions of the peasants had not been progressing as it should have done, that indebtedness instead of decreasing had tended to increase, that usury was still rampant, that agricultural methods had not improved and that the old
unsatisfactory features of a backward rural economy seemed destined persistently to remain”.

The Maclagan Committee also expressed serious concern for mushroom growth of Cooperatives and recommended certain norms for organisational structure, management, inspection and audit of Cooperatives. The Committee also envisaged a three-tier Cooperative Credit Structure with Primary Agricultural Cooperative Societies (PACS) at the grass root level, Central Cooperative Banks (DCCBS) at the District/intermediate level and Apex Cooperative Banks (SCBS) at the State level. This marks the beginning of Short-term Cooperative Credit Structure in the Country.

Transfer of Cooperation to Provincial Governments

As a result of Montague Chelmsford Reform Act 1919, Cooperation was transferred to the States and the Provincial Cooperative Acts were passed by different Provincial Governments in the Country. Bombay was the first province to pass its Cooperative Societies Act in 1925. Punjab, Madras, Uttar Pradesh, Bengal and other provinces passed their Acts subsequently. With the Cooperation and Cooperatives becoming an inseparable part of the rural economy, there has been a
phenomenal growth of Cooperatives throughout the Country and the Movement reached at its peak during 1929-30. The following table indicates the growth and progress of Cooperatives during the period 1915-16 and 1929-30:

<table>
<thead>
<tr>
<th>Particulars</th>
<th>1916-16</th>
<th>1929-30</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of societies</td>
<td>17,729</td>
<td>91,786</td>
</tr>
<tr>
<td>No. of members (000)</td>
<td>717</td>
<td>3,118</td>
</tr>
<tr>
<td>Share Capital &amp; Funds (in lakhs Rs.)</td>
<td>137</td>
<td>1,007</td>
</tr>
<tr>
<td>Deposits from members (in lakhs Rs.)</td>
<td>34</td>
<td>181</td>
</tr>
<tr>
<td>Working Capital (in lakhs Rs.)</td>
<td>516</td>
<td>3,493</td>
</tr>
<tr>
<td>Loans made during the year</td>
<td>228</td>
<td>1,205</td>
</tr>
<tr>
<td>Loans repaid during the year</td>
<td>175</td>
<td>948</td>
</tr>
<tr>
<td>Loans due at the end of the year</td>
<td>455</td>
<td>2,973</td>
</tr>
<tr>
<td>Loans overdue</td>
<td>79</td>
<td>734</td>
</tr>
<tr>
<td>Profits</td>
<td>20</td>
<td>126</td>
</tr>
</tbody>
</table>

Source: Principle & Practice of Cooperative Banking in India —

LONG TERM CREDIT STRUCTURE AND ORGANISATION OF LAND MORTGAGE BANKS AS SPECIALISED AGENCY

In the initial stage of our Cooperative Movement, the Cooperative Credit Societies used to cater the Long-term credit needs of farmers availing refinance facilities from the higher
financing agencies. As the resources of Credit Societies and the Central Banks were mostly of short-term nature, utilisation of such funds in long-term investment was a risky affair and hence, the Government decided to create a specialised agency for long-term finance. Mr. F.R. Hemingway, ICS (then RCS of Madras) formulated a scheme in 1919 for raising long-term resources by issue of debentures against the securities of immovable properties mortgaged by members to the Cooperative Societies.

Punjab was the first State in the Country to organise a Land Mortgage Bank in 1920 at Jhang and the Bengal followed in 1924. The Assam organised its first Land Mortgage Bank in 1926 at Guwahati and the second in 1927 at Sylhet (now Bangladesh). In Madras State about a dozen of Primary Cooperative Land Mortgage Banks were organised by June 1927 as per scheme of Mrs. J. Gray, ICS then Registrar of Cooperative Societies of Madras. On the basis of the recommendations of the Townsend Committee on Cooperative (1927-28), Central Cooperative Land Mortgage Banks were formed in Madras and Mysore in 1929 to finance the primaries. In the same year, Bombay State also organised three Primary Land Mortgage Banks. World wide economic depression of 1929 gave a push to the organisation of Land Mortgage Banks in the Country.
The Central Banking Enquiry Committee (1931) also recommended for organisation of a separate agency to provide long-term credit and thereafter, Land Mortgage Banking System began to spread in different provinces of the Country. Like Short-term Cooperative Credit, Long-term credit structure was to a great extent depended on the rich experiences of German Land Mortgage Banking System.

The Royal Commission on Agriculture in 1928 observed that “if Cooperation fails, there will fail the best hope of the rural India”. The Royal Commission also observed: “if the rural community is to be contended, happy and prosperous, local Governments must regard the Cooperative Movement as deserving for all the encouragement which it lies within their power to give”.

**Progress of Cooperative Movement in post-independent India**

The Cooperative Movement was formally recognised in India with the passing of the Cooperative Societies Act in the year 1904. In the beginning, only the Credit Societies were organised for dispensation of facile credit to the farming community to mitigate their acute sufferings from the exploitation of the moneylenders. Thereafter, the movement
gradually began to spread to various other agricultural, allied agricultural and non-agricultural fields. After the Independence, the National Government took numerous developmental initiatives to encourage the cooperative movement in order to ensure providing the required credit and other services to the millions of our poor rural people.

**All India Rural Survey Committee and its core recommendations**

In 1951, the Government of India set up high-level committee known as All India Rural Credit Survey Committee under the Chairmanship of a noted economist Shri. S.D. Gorwalla to study the rural credit scenario of the Country and suggest suitable measures for development of appropriate rural credit system in the country. The Survey Committee submitted voluminous report in the year 1954 and made several important recommendations. The report of the Survey Committee was regarded as "Bhagwat Geeta" or " Magna Charta" for Rural Credit in India and this heralded a new era for the Cooperative Movement in the Country. The core recommendations of the Survey Committee were: State partnership at different levels, Co-ordination between the Credit Societies and especially the
marketing and processing Societies and Administration of Cooperatives through trained personnel committed and responsive to rural services. Based on the recommendations of the Survey Committee Report, the Cooperative Societies were re-organised and re-structured throughout the Country for the benefit of the people.

COOPERATIVE MOVEMENT A BLESSING TO INDIA - VISION OF OUR GREAT NATIONAL LEADERS.

Mohandas K. Gandhi
1869 - 1948

Our great National Leaders visualised the potentials of the Cooperative Movement. According to Father of the Nation Mahatma Gandhi, the Cooperative Movement was a blessing to
India. Our First Prime Minister, Pandit Jawaharlal Nehru while speaking on Cooperation in Lok Sabha on 12 April 1959 said, "the essence of cooperative movement is in its non-official, self-dependent and self-reliant character, making for close contact and mutual obligation among the members... A true cooperative is one in which you can make the people grow and where people make contacts and where there is mutual obligation and social cohesion".

In the inaugural address on the Seminar on Cooperative Leadership in South-East Asia on 14 November 1960, Nehru said, "My outlook is to convulse India with the Cooperative Movement, or rather with Cooperation: to make it, broadly speaking, the basic activity of India, in every village as well as elsewhere; and finally, indeed, to make the Cooperative approach the common thinking of India. Therefore, the whole future of India depends on the success of the approach of ours to these vast numbers, hundreds or millions of people".

Mrs. Indira Gandhi said; "I know of no other instrument so potential and full of social purpose as the Cooperative Movement".

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Indian Cooperative Movement-Present Scenario.

Today, India has the largest Cooperative Movement in the World and almost all types of economic activities are covered by one or the other type of Cooperative Societies. Again, almost 100% of our Villages are covered by the Cooperative Societies and about 71% of our rural house-holds are members of the Cooperatives which is un-doubtedly a great achievement for which we can feel proud of. Now, we are having 549 thousand Cooperative Societies with a membership of 230 million people.
Progress of the Indian Cooperative Movement and the share of the Cooperatives in our National Economy are shown in the Table below:

<table>
<thead>
<tr>
<th>All Cooperatives 2002-2003</th>
<th>(Value/Rs.In Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>* Number of Cooperatives (All Levels)</td>
<td>549,119</td>
</tr>
<tr>
<td>* Membership of Coops (All Types)</td>
<td>229,510</td>
</tr>
<tr>
<td>* Share Capital (All Types)</td>
<td>223,944</td>
</tr>
<tr>
<td>* Working Capital (Non &amp; Non-Credit)</td>
<td>38,27,496.4</td>
</tr>
<tr>
<td>* Reserves</td>
<td>3,00,504</td>
</tr>
<tr>
<td>* Deposits</td>
<td>19,75,633.1</td>
</tr>
<tr>
<td>* Coverage of Rural House-holds</td>
<td>71%</td>
</tr>
<tr>
<td>* Villages covered by Cooperatives</td>
<td>100%</td>
</tr>
</tbody>
</table>

**Agricultural Credit**

<table>
<thead>
<tr>
<th>2002-2003</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>* Production Credit Advanced (ST+MT)</td>
<td></td>
</tr>
<tr>
<td>Short-term (ST)</td>
<td>2,35,436.2</td>
</tr>
<tr>
<td>Medium-term (MT)</td>
<td>52,833.8</td>
</tr>
<tr>
<td>* Investment Credit Advanced (LT)</td>
<td>31,027.3</td>
</tr>
<tr>
<td>* Total Loans Advanced (ST+MT+LT)</td>
<td>3,19,297.3</td>
</tr>
</tbody>
</table>
SHARE OF COOPERATIVES IN NATIONAL ECONOMY

* Agril Credit disbursed by Coops : 42.8%
* Fertiliser disbursed (6.049 Million Tonnes) : 36.17%
* Fertiliser production (3.509.9 MT – N & P) : 25.0%

Nutrient
* Sugar production (10.164 Million Tonnes) : 50.5%
* Wheat procurement (6.926 Million Tonnes) : 33.5%
* Animal feed production/supply : 50%
* Retail Fair Price Shops (Rural & Urban) : 20.3%
* Oil Marketed (branded) : 45%
* Handlooms in Cooperatives : 54.0%
* Fishermen in Cooperatives : 21.0%
* Storage Facility (Village Level PACS) : 64.5%
* Rubber procured and marketed : 18.5%
* Arecanut processed and marketed : 15%
* Direct employment generated : 1.15 Million
* Self employment generated for persons : 14.79 Million
* Salt manufactured (18,266 Matric Tonnes) : 7.6%

B. OBJECTIVES OF STUDY

The broad objectives of this study are:

a) To examine the rural credit delivery system in the country with particular reference to Cooperative Credit.

b) To examine the role and performance of the Cooperative Societies in the country's credit delivery system.

c) To examine the status of the Cooperative Societies in the N.E. Region and their role in the agriculture and rural development process in the North Eastern States.

d) To examine the performances and constraints of Cooperative Societies in Meghalaya and the role-played by the MCAB as leader of the cooperative credit structure in the State of Meghalaya.

e) To examine the potentials of the base level Cooperative Credit Societies and their suitability to provide total services at the Village level and become the nucleus of all rural development activities in Meghalaya.
C. METHODOLOGY:

The following methodology has been adopted for attaining the aforesaid objectives of the Study:

a) Collection of data from the published Journals and Reports of the Ministry of Agriculture, Govt. of India; State Government; Reserve Bank of India (RBI); National Bank for Agriculture and Rural Development (NABARD); National Cooperative Union of India (NCUI); National Cooperative Development Corporation (NCDC); National Federation of State Cooperative Banks Ltd. (NAFSCOB); National Cooperative Agricultural & Rural Development Banks Federation (NCARDBF); Indian Institute of Bank Management (IIBM) & Meghalaya Cooperative Apex Bank Ltd. (MCAB) as well as from the useful study and reading materials available in the Meghalaya State Library, Gauhati University Library and the MCAB Library.

b) Collection of primary data from the Service Cooperative Societies (SCS) at the base/village level in Meghalaya in the prescribed format.

c) Collection of Statistics and Working Capital, Deposits, Investments, Loans & Advances, Credit Deposit Ratio, etc. position from the MCAB for the last 3 years ending on 31st Mar’03 in the designed format.
d) Undertaking field visits of about 15% of the Service Cooperative Societies (SCS) and examine their position with reference to Membership coverage, Working Capital position, extension of Development Credit to the members, Rural Deposit mobilisation, supply of agricultural inputs, consumer goods and other services in their respective service areas.

e) Gathering views, opinion and suggestions from the Chairmen and Managing Committee Members of the base level Service Cooperatives and Cooperative Leaders on the performances of the Cooperatives and their future role in Meghalaya’s rural development.

f) Holding discussion with the authorities of State level Cooperative Federations like Meghalaya Cooperative Apex Bank Ltd (MCAB); Meghalaya State Cooperative Marketing & Consumers Federation (MECOFED), Meghalaya State Cooperative Handloom & Handicrafts Federation (MEGHALOOM), Meghalaya State Cooperative Housing Financing Society Ltd. (HOUSEFED) and Meghalaya Supervision and Cadre Management Coop. Society Ltd. (CADRE MANAGEMENT) and have their views on the future role of the Cooperatives in Meghalaya’s rural development process.
D. HYPOTHESIS

The study is based on the following hypothetical premises:

a) The cooperatives as socio-economic organisations have contributed significantly in the development process and our successive Governments have looked upon the cooperatives as the most potential organisations for rural development and improving the socio-economic life of the farmers and other weaker sections.

b) The State Cooperative Banks in the North Eastern States through their 2-tier cooperative credit system have succeeded in providing the required banking facilities even to the remotest corner of the villages and bringing rural savings to the banking system for productive use.

c) The Meghalaya Cooperative Apex Bank has been playing the role of a 'change agent' in the development process in the State of Meghalaya through the network of its 39 branches and 179 affiliated Service Cooperative Societies in the State.

d) The Government of Meghalaya as a cooperative friendly State has been providing catalytic and supportive role to the Cooperatives to function as autonomous democratic organisations and to carry on their day-to-day working professionally, free from interferences of the State Government.
e) The Cooperative Societies in Meghalaya were reorganised in the year 1978 under a Master Plan formulated by Reserve Bank of India in consultation with the State Govt. and the main objective of re-organisation was to develop the base level Cooperative Societies as multipurpose organisation so as to serve the members with the crucial input of Credit, Supply of Consumer goods, distribution of fertilizers and other agril. Inputs, mobilisation of rural savings, procurement and marketing of surplus agricultural produces under a single window system. In fact, the base level Cooperative Societies have the potentials to serve the rural areas as nucleus of all rural development activities in Meghalaya.