Chapter 2

HISTORY OF CO-OPERATIVE MOVEMENT
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INTRODUCTION

The main object of this chapter is to bring home briefly, the history of Co-operative Movement in India so as to prepare proper background to understand the co-operative credit structure and the growth of District Central Co-operative Banks.

CONCEPT OF COOPERATION

'Co-operation' is a form of organisation wherein persons voluntarily associate together as human beings on a basis of equality and work together for a common end. It is the voluntary association of persons for doing business, the basis of association being equality and the object, the satisfaction of a common need viz., the economic improvement of themselves.

In all its manifestations, Co-operation is the application to economic life, of the principle that, unity is strength. The essence of Co-operation is the Co-operative spirit, "each for all and all for each" i.e. each shall work for all and all shall work for each in the attainment of their common goal.

It has not been possible to define Co-operation precisely because the movement was born out of adversity. The circumstances which gave rise to adversity have, however, been different in different countries. It has assumed, therefore, diverse shapes in different countries according to environments and circumstances prevailing there which gave birth to the movement. The difficulty arises also because of the fact that in some countries, co-
operatives are state partnered, in others they are aided and controlled by the State, in yet others, they are either state organised they are used as instruments of State Planning. Therefore, different definitions have been given by different authorities in the context of circumstances in which the movement took its birth in different countries.

Eminent thinkers on Co-operation have defined Co-operation as follows:

Dr. C.R. Fay¹ from the Socio-economic standpoint defines Co-operative society as "an association for the propose of Joint trading, organising among the weak and conducted always in an unselfish spirit, on such terms that all who are prepared to assume the duties of membership may share in its rewards in proportion to the degree in which they make use of their association".

According to Mr. Herrick² "Co-operation is the act of persons voluntarily united, of utilising reciprocally their own forces, resources, or both under their mutual management to their common profit or loss". The most recognised definition is that of Mr. H. Calvert, "Co-operation is a form of organisation wherein persons voluntarily associated toge
economic condition of the people by the people themselves, and described it as: "Co-operation is only one aspect of a vast movement which promotes voluntary association of individuals having common needs who combine towards the achievement of common economic needs".

According to the Co-operation Planning Committee\(^3\) (1946), "Co-operation is a form of organisation in which persons voluntarily associate together on a basis of equality for the promotion of their economic interest. Those who come together have a common economic aim which they cannot achieve by individual isolated action because of weakness of the economic position of a large majority of them. This element of individual weakness is overcome by the pooling of their resources, by making self-help effective through mutual aid, and by strengthening the bonds of moral solidarity between them." I.L.O. defines a Cooperative Society as "an association of persons varying in number who are grappling with some economic difficulties and who voluntarily associate on a basis of equal rights and obligations, endeavor to solve those difficulties, mainly by conducting at their own risk an undertaking to which they have transferred one or more economic functions as correspond to their common need and by utilising this undertaking in Joint Co-operation for their common material a moral benefit."\(^4\)

From the above definitions it may be concluded that Co-operation is a special method of doing work jointly and suits

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the poor more than the rich. The rich, however, are not precluded from coming within its fold. All those who want to co-operate must, as a condition precedent, have a common need and to fulfill it, should agree to work selflessly. The co-workers in their activities, should themselves be guided by the principle of, "Each for all and all for each" and show honesty in dealings. Co-operators being generally persons with small resources must place more stress on their willingness to work hard than on the money they posses. In such an association, it is necessary that all associates should have an equally forceful voice in the affairs and be able to freely express their opinions. The concept of Co-operation thus, "envisages a group of persons having one or more common economic needs, who voluntarily agree to pool their resources - both human and material and use them for mutual benefit, through an enterprise managed by them on democratic lines."5

CO-OPERATIVE PRINCIPLES

Co-operative principles have been formulated on the basis of experience gained by the workers in the co-operative movement in various countries. The first to state the Co-operative principles were the Rochdale Pioneers.

The co-operative principles have undergone a change over a period of time. But the spirit of Co-operation remains the same. The problem of principles was considered by International Co-operative Alliance in 1937 and in 1966.

The following are the principles of Co-operation:

(1) Voluntary and open Membership  
(2) Democratic Control  
(3) Limited interest on capital  
(4) Equitable distribution of surplus or patronage dividend  
(5) Co-operative education and  
(6) Co-operation among Co-operatives.

The "open and voluntary membership" is the base for democratic operations. The democratic control ensures that the interest of members will be protected. A limited interest on capital "will, perhaps keep capitalistic and acquisitive tendencies out. It is quite logical that the "surplus should be distributed in proportion to the participation. "It is also desirable that the organisations which train the co-operative character should be co-operative with each other.

The ICA considered these principles as, "essential to genuine and effective co-operative practice." According to ICA Commission, "They form a system and are inseparable. They support and reinforce one another. They can and should be observed entirely by all co-operatives if they claim to belong to co-operative movement".  

ROLE OF CO-OPERATIVES IN THE INDIAN CONTEXT

It is essential at this stage to establish the role of Co-operatives. The national seminar (1968-69) on "Co-operation an
inter-disciplinary approach" accepted the following stand, "In
the scheme of National Planning, Co-operative Sector has been
assigned an important role, though the ideal of "Co-operative
Commonwealth" is still distant the Co-operative Sector is atleast
expected to play a balancing role between the private sector and
the public sector". This stand has been further stated in
relevant papers as "the Co-operative system can combine the best
of the two worlds of individualism and collectivism or democracy
and socialism. It combines self help and mutual help, voluntary
action, non-discrimination, democratic equality and decision
through discussion".

The Co-operative system presents a novel experiment and
seeks to deliberate conscious reconstruction of society and
economy where primary priority of man over capital and non-
acquisitive attitude towards property can be maintained without
disturbing the democratic structure.

In the early stage of human civilization, when capitalism or
socialism or communism was not there, Co-operation did exist as a
balancing factor. It is said to be "a double edged axe, which
strikes at the dead abstractions of the socialistic, State and
at the sterility of individualism at the same time.

Co-operation acts as a balancing factor because :

(1) It combines in itself the good points of capitalistic as
well as socialistic forms of organisation.

(2) Co-operative society enables members to put in their best to
attain a higher standard of living for themselves without in
any way exploiting others.

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(3) It honours human values and also provides incentives.

(4) In a private enterprise, profit earning is the motive and surplus goes to the organisers and capitalists; in socialistic concerns, the individual is neglected and the surpluses are utilised for the welfare of the society as a whole.

(5) It is a system which simplifies the working of economic laws, eliminates waste, dispenses with the middlemen and brings better relations between labour and capital.

(6) The co-operative system stands on the principles of universal brotherhood, justice, liberty, equality and peaceful association of the whole human family.

(7) It is a system which is found in all countries irrespective of their ideologies.

In a developing country like India, with a different value system (viz. no tradition of capitalism), the co-operative sector may provide best solution.

THE HISTORY OF CO-OPERATIVE MOVEMENT

The history of Co-operative movement is the history of Co-operative credit institutions. Therefore it is worthwhile to review in brief the history of co-operative movement.

ORIGIN OF CO-OPERATION

The Industrial Revolution brought large sized industrial units into existence. The huge factories helped the concentration of economic power in a few hands and created inequalities of income. Exploitation of the poorer sections of the society started
in various forms. The wage rates were low. A long chain of merchant middlemen was created due to which the price for the ultimate consumer was raised considerably. The rates of interest were very high. The people who had suffered due to such economic inequalities, came together and voluntarily joined hands for mutual help. This was the beginning of co-operation.

Different forms of Co-operation started in different countries are mentioned below:

Consumers co-operative movement, in England 1817, Credit Co-operative in Germany 1850, Dairy and Farm co-operatives in Denmark 1882, Wheat pools in Canada 1906 and Agricultural Co-operatives in United States 1856.

The evils of Capitalistic economic system made the social thinkers like Robert Owen (1771-1858) of England and Charles Fourier (1772-1837) of France to think of an alternative system of economy. They visualised an ideal form of society based on co-operation and mutual help instead of competition and exploitation of man by man. Though these historic figures did not trace in detail the forms that Co-operation was to take, they set out its fundamental principles, viz., association, voluntary nature of co-operation, democratic Government of the enterprise and social motive. Therefore they were considered as the father of Co-operation.

The dream of Owen, viz. creation of a new moral world based on co-operation, has not become a reality, though as a new noble form of economic organisation with a social philosophy of high order and moral has come to stay.
Many co-operatives were organised in the 1830s in U.K. and almost all of them failed. And finally the "Rochdale friendly co-operative society was formed in 1830. It was organised by a group of 28 workers of Rochdale, an industrial town in England. It proved a successful venture. The single factor in their success was the way in which they learnt lessons from the previous failures.

These pioneers registered their society "The Rochdale Society of Equitable Pioneers" on 24 October, 1844 and began business on 21st December, 1844 with a working capital of 28 pounds. This is said to be the beginning of Modern Co-operative Movement.

The ideas of the Rochdale Pioneers, in the rules of their society, popularly known as the 'Rochdale principles' have since inspired the co-operative movement throughout the world. These ideas were: democratic control, open membership, limited interest on capital, patronage dividend, cash trading, sale of pure and unadulterated goods, education of the members and political and religious neutrality. These ideas are of individually novel, but their combination was essentially new. The pioneers had also framed elaborate rules for the administration of the society and conduct of business.

CO-OPERATIVE MOVEMENT IN INDIA

The Indian Co-operative movement like its counterpart in other countries of the world has been essentially a child of distress. It has emerged out of that turmoil and dissatisfaction which prevailed during the last quarter of the 19th century and
worked as a direct consequence of the Industrial Revolution.

The co-operative movement was introduced in India with the chief object of making a break-through in the stagnation of the lives of the poor classes, especially the vast majority of agriculturists who were groaning under the heavy weight of indebtedness. The indebtedness of the farmers increased day by day. Their belief in faith strengthened. This Futilism coupled with illiteracy threw them into the deep ditch of stagnation, dejection and disappointment. The advent of British rule in India marked further deterioration in the economic condition of the farmers. The Government, first took indirect steps to check the growing hold of the Mahajan (money lender) but they were not very successful "Deccan Agriculturists" relief Act of 1879 was the first legislation by the colonial Government of Deccan (South India) for the regulation of long term co-operative credit.

Government's interest in the co-operative form of organisation was aroused by a scheme suggested in 1882 by Sir William Wederburn for establishing an agricultural bank. Although this proposal was not accepted by the Government, its essentials were embodied in the Land Improvements Loan Act of 1883 and the Agriculturists Loans Act of 1884, (relating to loans to farmers on short term credit), which were adopted by the Local Governments for granting loans and credit facilities to the farmers for their agricultural pursuits. This scheme was, however, found to be, in many ways defective and the Government had, therefore to consider other suitable schemes for providing credit to agriculturists.
Some thoughtful public minded persons also strove to establish an agricultural bank in the Purandhar Taluka of the Poona District, but they could not succeed. The need for providing cheap credit facilities to farmers became keener and keener and the idea of starting Co-operative Credit Societies was hatched in 1892.

In the meanwhile a co-operative society was started in Punjab as early in 1891 for controlling the common land of the village for the benefit of the co-shares and functioned until 1922, when the land was partitioned. Another co-operative society, started in that province in 1895, covered twenty two villages and hamlets. Fifty or sixty members each contributed Rs.40 to the undertaking, the president deposited Rs.1000 and obtained three loans of the same amount, one from the local money lender and two from the Government.

In 1892, Sir Fredrick Nicholson, was deputed by the Government of Madras to study the working of Co-operatives in Europe and suggest measures for the introduction of co-operative movement in India.

Around that time agricultural banks were introduced in Mysore in 1894, each to be an association of landholders on strictly co-operative principles, not for the purpose of earning any profit divisible among its members, but for the purpose of obtaining money by their own united credit and lending it according to the actual requirements of each member to the extent that the others had confidence in him. Purposes of loans might be, the ordinary annual requirements of cultivation, agricultural
improvements or repayment of debt. By 1898, 64 Banks had been started in Mysore.

In 1899, Sir F. Nicholson's report was received by the Madras Government. He produced a monumental report (in two volumes) on the subject and emphatically opined that India must find its own Raiffeisens who could organise and effectively nurture a co-operative movement in the country, if the conditions were to be improved. He summed up his report in two words "Find Raiffeisen". His recommendations were mostly based on the pattern of credit-societies in Germany. So it is said that the inspiration for the co-operative movement in India came largely from Germany.

Meanwhile some 200 co-operative societies and Nidhis in Uttar Pradesh and Madras had already come into existence (in 1903 their membership and working capital stood at Rs.36,000/- and Rs.75 lakhs respectively).

The experiments for organising co-operative societies began by various authorities in other states, like Sir Edward Maclagan and Captain Crossthwaite in the Punjab and Mr. Lyon in Bengal. The societies organised by them could, at the time, be registered only under the ordinary company law which was unsuited to both the spirit and aims of co-operation. The need for a separate law for registration of co-operative societies began to be keenly felt.

Following two terrible famines, a Famine Commission of which Sir F. Nicholson was a member, and which met in May 1901, pronounced that the strengthening of the moral backbone of the
agriculturist to be the chief means of preventing famines and recommended Mutual Credit Associations.

Following the recommendation of Famine Commission the Government of India appointed in 1901 a committee under the presidency of Sir Edward Law to report on the steps to be taken for the establishment of the Co-operative Credit Societies in the country. The committee had also the benefit of advice from Sir Henry Wolff, an eminent English Co-operator.

This committee recommended the establishment of co-operative societies on the Raiffeisen Model. The report of this committee showed that no real advance was possible without Government legislation. It was on the basis of this report that the Co-operative Credit Societies Act of 1904 was passed, modelled largely on the English Friendly Societies Act. Thus in contrast with the other countries, in India credit societies were developed first.

The co-operative societies Act. 1904, was based on the principle of "simplicity" and "elasticity". This, perhaps, was the first attempt to have an institutional arrangement for agricultural credit with a separate legal status. Small and simple societies were to be organised under the Act to meet the credit needs of the people 'both in rural and urban areas'.

STAGES IN THE CO-OPERATIVE MOVEMENT

The history of the origin and growth of the co-operative movement in India can be divided into following stages: (Fig. 2).
STAGES IN CO-OPERATIVE MOVEMENT

1947
Co-op planning committee

Development through five year plans

1939-1940

Period of recovery

1929-1939

Great Depression

1919-1929

Period of unplanned expansion

1912-1918

Period of rapid expansion

1904-1911

Early stage of development

Introduction of co-op Act
EARLY STAGE OF DEVELOPMENT (1904-1911)

The introduction of the co-operative societies Act in 1904 marked the beginning of the co-operative movement in India.

The first stage was essentially an experimental one. The Indian organisers of the movement had little experience and knowledge of the imported ideas of co-operation. Their task was difficult, because they were expected to spread a new idea among the uneducated rural people.

The characteristic feature of this period was the Act of 1904 and the legal reorganisation of the co-operative societies that were in existence.

The important features of the co-operative societies Act (1904) were as follows:

1. Any ten persons living in the same village or town could form a co-operative society for the encouragement of thrift and self help among the members.

2. The main object of a society would be to raise funds by deposits from members and also loans from non-members, Government and other co-operative societies and to distribute these funds as loans to members or with the special permission of the Registrar to offer co-operative credit societies.

3. The co-operative credit societies in each province would be under the control and administration of a special Government officer called the "Registrar of Co-operative Societies".

4. The accounts of every society were to be audited by the Registrar or by a member of his staff free of charge.
5. The co-operative societies were classified as rural and urban, four fifths of the members of rural societies were to be agriculturists and of urban societies non agriculturists.

6. The members of a rural society were bound to have unlimited liability, except with special sanction by local Government. In case of urban society the liability of members might be either limited or unlimited.

7. In case of rural societies dividends were not to be paid to the members and the surplus funds were to be deposited in the reserve fund, although when this fund had grown beyond certain limits fixed under the Bye-laws, a bonus might be distributed to members.

8. In urban societies, no dividend would be paid to the members, until one-fourth of the profits in a year had been deposited into the reserve fund.

9. The societies could advance loans only to the members on personal as real security.

10. Any one member's interest, in the societies share capital was strictly limited. No member could hold shares for more than Rs.1,000.

11. The societies which were formed under the Act were exempted from payment of Income-tax, stamp duties and registration fees.

PERIOD OF RAPID EXPANSION (1912-1918)

A new Act of 1912 removed the defects of the act of 1904. With the passing of this Act, the movement entered on the second stage of its progress. The important charges brought about by the
new Act were as follows:

1. Any society (credit or otherwise) which aimed at the promotion of the economic interest of its members in accordance with the co-operative principles, could now be established.

2. The new act enabled for the first time the registration of federal society like the central bank.

3. The liability of central societies was to be limited while that of the members of the rural credit societies was to be unlimited.

4. After carrying 1/4th of the annual profits to the reserve fund, 10% of the balance could be spent for charitable purposes.

5. Local Governments were permitted to use their discretion in moving rules and Bye-laws of the societies.

6. The term 'co-operative' may not be used as a part of the title of any business concern not registered under the Acts, unless it was already doing business under the same before the Act came into effect.

7. Shares or interest in cooperative societies are exempt from attachment.

8. The other provisions of the Act of 1904 were retained as they were.

The new Act was thus a great improvement over the provision Act of 1904 and after its enactment, the movement started with a renewed promise. It helped the growth of co-operative movement. New types of societies of the sale or produce, purchase of silk
and manure, cattle insurance and milk supply etc, were created. The number co-operative societies, their membership and working capital grew rapidly.

**MACLAGAN COMMITTEE**

With a view to ensuring that the co-operative movement was developing on sound lines, the Government of India appointed a committee under the chairmanship of Sir Edward Maclagan I.C.S. in October, 1914. The task before committee was to review the progress of the movement and report whether the movement was progressing along the right lines.

The Maclagan Committee submitted its report in 1915. The committee in its report made suggestions for constructive proposals for healthy development of the co-operative movement.

The committee observed that the impression of the people was that the co-operative societies were Government agencies and therefore the Committee emphasised that the urge for establishment of co-operative societies should be, as far as possible, spontaneous. The Committee also stressed the need for a through audit and supervision of the movement for increasing confidence among the people. The committee suggested the following classification of societies (a) primary societies (b) co-operative unions (c) D.C.C. Banks and (d) provincial cooperative banks. The committee laid down the following conditions for the success of rural credit societies:

1. Every member should have a knowledge of co-operative principles and the members proper selection should be made, i.e. they should be honest.
(2) As regards the dealing of the society, it should lend to its members only.

(3) Careful scrutiny should be made before granting loans and it should be given for productive purposes or for necessaries, as essential of daily life. They can fairly be classed as productive.

(4) The borrower should satisfy other members about repayment of his loan through increased productive capacity.

(5) Democratic Management.

(6) Adopting 'One man one vote' principle.

(7) Building of strong reserve fund.

(8) The main object of the society should be the encouragement of thrift among its members.

The valuable suggestions made by the Maclagan Committee are remained on paper. Most of the recommendations of the committee are as valid today as they were at the time they were first made. Failure of the co-operative movement in many parts of the country was largely due to the neglect of the wise suggestions advocated by Sir Edward and his colleagues.

In 1919, there were 29000 societies with 11 lakhs members and Rs.15 crores as working capital. This progress was said to be quite rapid but the qualitative aspect was not very bright.

PERIOD OF UN-PLANNED EXPANSION (1919-1929)

After the conclusion of World War I, the Reforms Act of 1919 was introduced. Under the Reforms of 1919, co-operation became a provincial subject and was placed under the charge of minister in each state. During the early years, progress was
quite rapid in many states. The provinces, where co-operative movement had made considerable progress found the Act of 1912 inadequate. For achieving many sided development several provinces appointed committees of enquiry and co-operative acts were passed. Bombay gave a lead by passing a special Act in 1925, incorporating amendments to suit local conditions. It was followed by Madras in 1932, Bihar and Orissa in 1935, Coorg (In Karnataka State) in 1937 and Bengal in 1940, Tripura in 1948, Mysore, 1948, United States of Gwalior Indore and Malwa in 1948, Assam in 1949, Vindhya Pradesh in 1940, Orissa co-operative societies Act. in 1951, Hyderabad Act in 1952, Rajasthan Act. in 1953, The Punjab Act. in 1953, Himachal Pradesh Act. in 1956, then Bhopal, Jammu and Kashmir.

The post-war boom and rising prices improved the conditions of co-operative societies during the decade ending 1929-1930. The rapid expansion in this period was characterised by the well known non-official co-operator Mr. Ramdas Pantalu as "Unplanned expansion". During this period different kinds of cooperative societies in the field of credit, supply, distribution, better farming, mortgage, banking were started.

In spite of this rapid expansion, the proportion of rural families brought within cooperative fold was very small. The lowest percentage was 1.8 percent in the United Provinces, 2.3 percent in the Central Provinces, 2.3 percent in Assam, 3.1 percent in Bihar and Orissa, 3.8 percent in Bengal. The highest percentage was between 8 to 10 percent in Bombay, Madras and Punjab.
Working of the co-operative movement, during this period was examined by Royal Commission on Agriculture, the Central Provincial Banking Enquiry Committee and the Oakden Committee of the United Provinces of Agra and Oudh, the King Committee of the Central Provinces, the Townsend Committee of Madras and the Calvert Committee of Burma. Valuable contributions were made by these committees to co-operative thought and practice.

In 1927, the Royal Committee on Agricultural, with Mr. Calvert as its chairman, examined problems relating to agriculture and stressed the need of co-operation for implementing the programme of agricultural development. The commission brought out strong as well as weak points in the movement. According to the commission the main cause of failure of the co-operative movement was "the lack of the requisite education and of adequate supervision and guidance".\(^8\) Report of the Royal Commission on Agriculture (1948). The commission sounded a note of warning in these words, "If co-operative fails, there will fail the best hope of rural India".

To popularise the co-operative movement and to promote a sense of responsibility among the members of the society, the Central Banking Inquiry Committee recommended that the official control that then existed was to be slackened.\(^9\)

PERIOD OF CONSOLIDATION AND REORGANISATION (1930-38)

The most significant feature of this period was the

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Great Depression. The Great Depression of the thirties gave a big jolt to co-operative activity, and stalled further progress of the movement. The economic crises resulted in a catastrophic fall in prices particularly of agricultural commodities, which very adversely affected the economic conditions of the farmers. Owing to the large percentage of credit societies, funds with the movement were invested in loans to agriculturists. Recoveries of loans became extremely difficult. There were heavy accumulations of overdues and freezing of societies assets, liquidation of societies had to be resorted to, in certain areas. The proportion of overdues to loans outstanding which was only 20% in 1927-28 rose to 40% in 1931-32, in Bombay. In some provinces such as the Central Provinces, and Berar, Bihar, Haryana, Orissa and Bengal the co-operative movement collapsed. Many central co-operative banks had to be closed as they were unable to carry on banking operations and many societies were liquidated. In Bombay, as many as 15000 cases were referred to arbitration. By 1937-38 the percentage of overdues was about 93% of loans. The number of societies in the state which stood at 5896 in 1930-31 came down to 4837 in 1935-36. During this period 50% of the societies were in liquidation in Uttar Pradesh.

A very important event of this period was the establishment of Reserve Bank of India in 1935. Mr. G. M. Laud in his "Co-operative Banking in India", says "In this task (co-operative credit) the Reserve Bank of India has assumed a responsibility which is unique in the world history of central
Banks". The Agricultural Credit Department was set up to study agricultural credit problems and give financial accommodation to co-operative societies.

In this period, land mortgage bank were started on co-operative basis. The first central Land Mortgage Bank was established in Madras in 1929. These banks saved a few cultivators-from the hands of money-lenders by advancing loans for the redemption of lands and for other long term needs. By 1939, the signs of recovery began to appear, especially due to close supervision, better scrutiny of loans proposals and effective steps towards recovery of outstanding loans, e.g. the amount of overdues in case of agricultural credit societies fell from 13.00 crores in 1932-33 to 11.36 crores in 1936-37 while the percentage of overdues to loans outstanding fell from 47 to 43 during the same period.

In 1937 statutory report on the co-operative movement was presented by Reserve Bank of India in which it gave advice on various matters of co-operative practice. It suggested re-organisation of the movement on viability basis. It also stressed the importance of organising multi-purpose co-operative societies which would embrace the whole life of agriculturists.

A beginning of participation of Reserve Bank of India in the development of co-operative movement, is perhaps, a notable feature of this period.

PERIOD OF RECOVERY (1939-1946)

It is a well known fact, that the Second World War, acted as a boon to the agriculturist class as prices began to rise. It
naturally improved their repaying capacity. A special feature of this period, is (in addition to credit societies) development of non-credit societies. (till then, non-credit activity was almost monopolised by the private sector). It is interesting to note that by 1946, the proportion was: credit 77% and non-credit 23%. The multi-purpose co-operative societies were also developed during this period, e.g. in the Bombay province. There were 264 multi-purpose societies as on December 1946. In short, war period provided incentives for consumer co-operatives, industrial co-operative societies etc. and the co-operative movement started having a broader base.

In 1944, the Government of India appointed a sub-committee under the chairmanship of Mr. D. R. Gadgil. The object of this committee was to suggest ways in which indebtedness of farmers could be reduced and finance, both short term and long term, provided under efficient control for agricultural and animal husbandry operations. The committee recommended "We are in general agreement with the view that the spread of co-operation would provide the best and most lasting solution for the problem of agricultural credit in particular and rural economy in general".10

In 1947 Co-operative Planning Committee was also appointed by the Government of India under the chairmanship of Shri R.G. Saraiya to draw up a plan of co-operative development. This committee studied the causes of slow growth and it made a

plan and in its report this committee suggested:

(1) that the supply of credit touched only one aspect of the cultivator, the activity of the primary societies should be so extended as to cover the whole of his life because "The main causes of limited progress of the movement was the fact that it did not especially in its initial stages take the life of the individual as a whole".

(2) that primary credit societies should be so reformed and reorganised as to serve as centers for the general economic development of their members.

(3) that an attempt should be made to bring 50% of the villages and 30% of the rural population within the ambit of the reorganised primary societies with a period of 10 years, and

(4) that 25% of the total marketable surplus of agricultural produce of the country should come under co-operation.\(^{11}\)

**OBSERVATION ON CO-OPERATIVE MOVEMENT IN PRE-INDEPENDENCE PERIOD**

At this stage, it is worthwhile to note some prominent characteristics features of co-operative movement in pre-independence period.

1. Unplanned and uneven growth
2. Official sponsorship of the movement
3. Largely confined to credit
4. Financial involvement of the Government was negligible (hardly 2% of the total working funds).

Further the following causes of the slow growth of co-

operative movement, noticed in the study, are mentioned below:

1. Lack of knowledge of co-operative principles
2. Lack of careful selection of members
3. Lack of effective supervision and inspection
4. Lack of efficient management
5. High overdues
6. Lack of co-ordination between various co-operative institutions.
7. Unlimited liability of societies
8. Laissez faire policy of the state
9. Other important factors:
   (a) negligence in recovery
   (b) high rate of interest
   (c) inadequacy of finance provided.

The co-operative movement could not achieve much success before independence on account of the above mentioned reasons.

The 15th conference of Registrars of Co-operative Societies which met in 1947, approved many of the recommendations of the Co-operative Planning Committee. In this conference, it was realised for the first time that there should be effective linking of credit with marketing, assistance for construction of godowns and setting up processing plants by grant of liberal loans and subsidies. The necessity for training of expert staff was also stressed. The consensus was that provincial co-operative banks should be recognised to give greater assistance through central banks to primary societies.

By 1947, the co-operative movement had attained at least in
some areas, certain significant dimensions. In fact, an official body, the Co-operative Planning Committee referred to the role of co-operatives. In their terms, "The co-operative society has an important role to play as the most suitable medium for the democratisation of economic planning. It provides the local unit which can fulfill the dual function of educating public opinion in favour of a plan and of executing it." This was a significant pointer to the potential role of co-operatives in independent India.

CO-OPERATIVE MOVEMENT AFTER INDEPENDENCE
(The Period of Planned Development)

Till 1947, the official policy in India was not directed towards overall economic development or for the achievement of any socio-economic objectives for which the co-operative could serve as an instrument. After attainment of independence in 1947, there was a marked change in the conception of Governmental functions and the idea of the welfare state began to influence all activities of Government. The national endeavour has been to promote rapid and balanced economic development. The nation has accepted the concept of planned economy and to work for a socialistic pattern of society. To achieve this objective, the co-operative movement has to play an increasingly important role.

A series of five-year plans have since been launched with the object of building up by democratic means a rapidly expanding economy and a social order based on justice and equality for all. The plans aim at building up what has been called a "mixed economy" in which private sector as well as public sector play
important role in order to eliminate the drawbacks of both these sectors. Co-operative sector has also been given its due place and it acts as a balancing factor between the two extremes.

**FIRST FIVE YEAR PLAN (1950-51 TO 1955-1956 )**

The planning commission formulated the First Five Year Plan to carry out the state policy. The First Five Year plan was launched in 1950-51. The plan described the co-operative movement as an "instrument of planned economic action in democracy".

The first plan said, "The principal of mutual aid, which is the base of co-operative organisation, and the practice of thrift and self-help which sustain it, generate a sturdy feeling of self-reliance which is of basic importance in democratic way of life. By pooling their experience and knowledge and by keeping one other, members of the co-operative societies cannot only find the solutions of individual problems but also become better citizens.' The development of co-operative movement through five year plans will be studied broadly with reference to : (a) Objectives (with reference to co-operation) (b) Statistics (targets and achievements) (c) Events (d) Comments

**OBJECTIVES**

(1) As an instrument of democratic planning, combining initiative, mutual benefit and social purpose, co-operation must be an essential feature of the programme for the implementation of the first plan.
(2) Co-operative agencies in the village should have the closest possible relations with the panchayat.

(3) An attempt should be made to have in each village a co-operative organisation which will cater to the multiple needs of its members.

(4) The target set by the co-operative planning committee to over 50% of Indian villages and 30% of the rural population should be achieved by 1955-56.

(5) The credit supplied by co-operative movement for agricultural production should reach the level of Rs.130 crores per annum: (Rs.100 crores for short term, Rs.25 crores for medium term and Rs.5 crores as long term loans).

(6) The state should encourage the formation of co-operative forms.

(7) The plan also stresses the need for having adequately trained staff for facilitating the growth of the movement.

(8) The need for developing co-operative was also emphasised from the point of view, principally, for ensuring better price for agriculturists.

STATISTICS

In the first plan special targets for the promotion and development of co-operative movement were fixed and efforts were made to achieve them. The position of the movement at the beginning of the plan as well as on its close is indicated on the following page.
TABLE - 1

PROGRESS OF CO-OPERATIVE MOVEMENT DURING FIRST FIVE YEAR PLAN
(Plan outlay : 7.11 crores)

<table>
<thead>
<tr>
<th>No.</th>
<th>Particulars</th>
<th>1950-51</th>
<th>1955-56</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Number of primary agricultural credit societies:</td>
<td>1,15,442</td>
<td>1,59,939</td>
</tr>
<tr>
<td>2.</td>
<td>Membership (In lakhs)</td>
<td>51,54</td>
<td>77.91</td>
</tr>
<tr>
<td>3.</td>
<td>Average membership per society:</td>
<td>45</td>
<td>49</td>
</tr>
<tr>
<td>4.</td>
<td>Percentage of rural population served:</td>
<td>10.03</td>
<td>15.06</td>
</tr>
<tr>
<td>5.</td>
<td>Loans issued (Rs. in crores)</td>
<td>22.90</td>
<td>50.16</td>
</tr>
<tr>
<td>6.</td>
<td>Average loan per member Rs.</td>
<td>45</td>
<td>64</td>
</tr>
<tr>
<td>7.</td>
<td>Average share capital per society (Rs.)</td>
<td>727</td>
<td>1,051</td>
</tr>
<tr>
<td>8.</td>
<td>Average working capital (Rs.)</td>
<td>3,547</td>
<td>4,946</td>
</tr>
<tr>
<td>9.</td>
<td>Average deposits per society</td>
<td>391</td>
<td>441</td>
</tr>
<tr>
<td>10.</td>
<td>Percentage of overdue to outstanding deposits</td>
<td>21.00</td>
<td>25.00</td>
</tr>
</tbody>
</table>

From the Table - 1 it may be seen that, during the plan period, the number of primary agricultural credit societies increased from 1.15 lakhs to 1.59 lakhs, the amount of loans issued more than doubled, while the number and membership of the societies showed an increase of 32% and 57% respectively. Qualitatively, however the position was far from satisfactory. The percentage of overdue to loan outstanding increased from 21.9 to 25.0. The percentage of rural population increased from 10 to 16.

EVENTS

Dawn of independence, establishment of planning commission and expression of the state policy i.e. "co-operation is an instrument of state policy" are the major events.
Rural credit survey committee

A matter of great significance in the first plan period was the carrying out of a rural credit survey in the country by the Reserve Bank of India. It assessed the past performance of the movement, worked out the reason of slow progress and also suggested the lines of its future development.

The report came out in 1954, with its famous observation "co-operation has failed but co-operation must succeed" and gave authentic data to the planning commission for the formulation of a definite policy for the reorganisation of the movement.

The report primarily dealt with co-operative credit. It assessed that the total requirements of rural credit in the country were of the order of Rs. 750 crores. The committee reported that the co-operative movement was expected to provide controlled credit which firstly, must be adequate i.e. in quantity must be commensurate with the production requirements of the borrowers and secondly, must be suitable i.e. loan should be given at a reasonable rate of interest for production requirements.

The publication of All India Rural Credit Survey Report was an eye-opener in many respects:

1. In a period of 50 years of existence, only 3% of the credit requirements are met by the credit societies!
2. The larger part of the co-operative credit went to big agriculturists (even in state of Bombay and Madras).
3. The primary societies and central banks were found to be weak.
(4) Most of the loans advanced were for short term purposes only.

(5) No supervision over the proper utilisation of loans.

The report, however, suggested that the co-operative system of credit was still the most suitable to the country and, therefore, it was necessary to create conditions in which the movement could make a swift progress. It should be strengthened internally and externally. The committee recommended "integrated scheme of rural credit". The main recommendations of the Rural Credit Survey Committee were:

(1) State Partnership:

One of the most outstanding recommendation of the committee was that state should extend its helping hand to co-operatives to enable them to withstand the opposition of the money lenders and traders and compete with them on equal footing. It was stated that it was not sufficient on the part of the state to merely provide certain facilities and privileges but it should enter into partnerships with cooperatives. So that they may be able to play an effective role in the overall objectives of rural development. The form and degree of such partnership was to be different for different levels of the structure and for different types of institutions.

At the apex level, such partnership would be direct, that is, the State Government should directly contribute to the share capital of the institutions concerned. At the district level, the state partnership would be through the apex institution. At the primary level also this partnership would be indirect, it would

42
take the form of similar contributions to the apex institutions to enable them to provide funds to the organisations at the district level which in turn would contribute to the share capital of the institutions at the primary level. In marketing and processing societies, state partnerships might be direct at all levels. So that it will create necessary confidence of the public in co-operative institutions. The share capital contributed by the state would serve as a buffer between the societies and their losses. The committee, however, wanted that state partnership should not mean state control.

(2) Establishment of the State Bank of India:
The committee recommended that a State Bank of India be set up into which the Imperial Bank of India and State associated Banks be amalgamated. So that it will extend its activities more and more in the rural areas for giving large financial accommodation and remittance facilities to the co-operative institutions. Accordingly the State Bank of India was set up.

(3) Creation of various long term operations fund:
As most of the state Governments did not have the wherewithal for contributing to the share capital of co-operative credit institutions, the survey committee suggested that the state Government, The Reserve Bank of India and co-operative institutions should create special fund for this and other purposes to be known as the National Agricultural Credit Fund Consequently such funds were created by R.B.I. and by Government of India.
(4) Re-organisation of the credit movement:

The committee recommended the re-organisation of the whole co-operative movement by establishing large sized credit societies at preliminary level for providing medium and short term loans for productive purposes. The committee also recommended the administrative and financial strengthening of the credit structure at apex and central levels (as mentioned in point no. 1).

(5) Co-operative training:

The Committee strongly recommended the importance of training of officials as well as non-officials to enable them to successfully run the co-operative institutions. It suggested that the training of all the services should be organised by or under the guidance of the central committee for co-operative training.

Other notable recommendations of the survey Committee were:
(6) Loans against anticipated crops, (7) Linking of credit with marketing, (8) Effective supervision and audit.

COMMENTS

The co-operative movement failed to achieve the objectives during the first plan period. It was due to: (a) the internal weaknesses of the co-operative structure and also due to, (b) some extraneous factors.

(a) The internal weaknesses of the co-operative structure are:
Small membership, Weak capital structure, Inadequate loan operations, Heavy over-dues, Failure to harness local
savings and to promote thrift.

(b) The extraneous factors are mentioned below:

In the first place, it took quite some time for co-operatives to appreciate the precise role assigned to them in the development of the economy and gear up their activities accordingly. Secondly, the policy of the states towards co-operation in the new economic set up of the country was not sufficiently defined, except that the general policy was enunciated and action to implement it was largely left to the states and co-operative movement itself. Finally, the schemes of co-operative development of various states, which were included in this plan, were not uniform in their objects and methods and differed widely from state to state. There was no agreed policy for the country as a whole nor were any definite targets set, except in regard to the volume of advances to cultivators through institutional agencies. Consequently, there was a marked unevenness in the development of the co-operative structure in different states.

It is noteworthy that the Rural Credit Survey Committee took a positive view and recommended certain steps, outlined under the 'events' above.

SECOND FIVE YEAR PLAN (1955-56 to 1960-61)

OBJECTIVES

The second five year plan set before itself the broad objective of evolving a socialistic pattern of society. The
second plan was drawn by more or less, on the basis of accepted recommendations of the All-India Rural Credit Survey Committee particularly in respect of credit, marketing and processing.

The objectives of co-operatives as enunciated in the Second Five Year Plan were:

(a) Reorganisation of the loan policies of co-operatives so as to benefit the weaker sections of the community and issue of loans on the basis of production programme and the anticipated crops, instead of security of landed and other immovable property.

(b) Strenghtening the co-operative credit structure at all levels by state participation in share capital.

(c) Linking credit with marketing.

(d) Development of marketing and processing on co-operative lines.

(e) Promotion of storage and ware housing and

(f) Improving the training facilities and strengthening supervisory and administrative machinery.

EVENTS

It is very interesting to note that during the second plan period, number of committees and working groups reported on various aspects of the co-operative movement.

The National Development Council passed the policy resolution in 1958, recommended among other things (a) The aim should be to have every family in the village in fold of co-operative movement. (b) The village society should be closely linked up with marketing activities. (c) Let there be more
emphasis on training and (d) Taccavi loans be distributed through village co-operative societies.

**TABLE - 2**

PROGRESS OF CO-OPERATIVE MOVEMENT DURING SECOND FIVE YEAR PLAN
(Plan outlay Rs. 57 crores) (Rs.in crores)

<table>
<thead>
<tr>
<th>Particulars</th>
<th>1955-56</th>
<th>1960-61</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Number of societies (In lakhs)</td>
<td>2.40</td>
<td>3.32</td>
</tr>
<tr>
<td>2. Membership of primary societies:</td>
<td>176</td>
<td>342</td>
</tr>
<tr>
<td>(In lakhs)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Share capital (Rs.)</td>
<td>77</td>
<td>221</td>
</tr>
<tr>
<td>4. Working capital (Rs.)</td>
<td>469</td>
<td>1,312</td>
</tr>
<tr>
<td>5. Loans advanced by primary societies (Rs.)</td>
<td>50</td>
<td>203</td>
</tr>
<tr>
<td>6. Percentage of villages covered</td>
<td>-</td>
<td>75</td>
</tr>
<tr>
<td>7. Percentage of rural population covered by primary credit societies</td>
<td>12</td>
<td>24</td>
</tr>
<tr>
<td>8. Average membership for society</td>
<td>49</td>
<td>80</td>
</tr>
<tr>
<td>9. Average paid-up share capital per society</td>
<td>1,051</td>
<td>2,722</td>
</tr>
<tr>
<td>10. Average deposits per society (Rs.)</td>
<td>441</td>
<td>688</td>
</tr>
<tr>
<td>11. Average working capital per society (Rs.)</td>
<td>4,946</td>
<td>12,913</td>
</tr>
<tr>
<td>12. Average loan advanced per member (Rs.)</td>
<td>64</td>
<td>119</td>
</tr>
<tr>
<td>13. Overdues as percentage of outstanding loans.</td>
<td>25</td>
<td>20</td>
</tr>
</tbody>
</table>

The study team on "Co-operative Training" (Shri S.D.Misra, 1961) made specific suggestions:

(a) Contribution of at least 1% of net profit for training and development.

(b) Constitution of National Board of Co-operative Training.

(c) To set up National Institute for Advanced Studies and Research in Co-operation.

The expert committee (Shri V.L.Mehta, 1959) recommended:

(a) Development of village community as a primary co-operative unit,
(b) Participation of state in share capital, subsidies etc.,
(c) Deposits be attracted to develop internal sources,
(d) Need for efficient and effective audit.

The study group of village Panchayat (1961) emphasized that Panchayat should take active steps to develop co-operatives at rural level. The committee on consumers co-operative (1961) emphasised that the state should participate in the share capital of consumers co-operative stores and the federal organisation be set up.

COMMENTS

The main point of criticism against shift of the Government policy was raised by Shri V.L.Mehta, "Since the plan has been in operation for nearly two years now, quoting the basis of organisation of the plan is likely to be a set back a large number of farmers will be deprived of institutional credit facility". It was also criticised by Dr.E.M.Flough - as "drastic and sweeping in its rejections and vague in the positive direction". Late Prime Minister Shri Jawaharlal Nehru also expressed his regrets for this development.

THIRD FIVE YEAR PLAN (1960-61 to 1965-66)

OBJECTIVES

In the Third Five Year Plan, important place was given to co-operation as a major form of organisation in many branches of economic activity, especially in the agriculture, small industry, marketing and processing and distribution and supplies.
The Third Plan laid down the following broad objectives:

(a) That the agricultural credit movement should cover all the villages and 60% of the agricultural population by 1956-66.

(b) Primary agricultural credit societies should be revitalised to make them viable units.

(c) Co-operative credit to the tune of Rs.530 crores for short and medium term and Rs.150 crores for long term agricultural needs should be provided for.

(d) Developing of co-operative marketing, processing and linking of credit with marketing should be accelerated.

(e) The consumer co-operatives should be the channel through which essential commodities are distributed in urban and rural areas.

(f) Small industries should be developed on co-operative lines.

(g) The personnel of co-operative department should be strengthened at different levels.

(h) Non-credit co-operatives like housing, farming, fishing, dairying etc, should be given due emphasis.

(i) Government should participate at all levels.

(j) Co-operative unions at state and district level be strengthened to enable them to undertake growing responsibilities of co-operative education and training.

STATISTICS

The targets suggested and performance achieved, in the third plan is shown in Table - 3.
The Table - 3 refers to the extent of progress made in the third plan. It needs to be emphasised that at the end of the third plan there were 78 co-operative sugar factories, 155 cotton ginning and processing units, 329 paddy-husking societies, 142 rice mills, 298 oil crushing societies and 22 fruit and vegetable societies.

In order to facilitate the implementation of the programmes as per third plan, the Government of India and connected organisations set up a number of committees and working groups to look into the various aspects of the movement and give suggestions for a smooth progress of co-operatives. The suggestions are given in the following concise form:

**TABLE - 3**

**TARGETS AND ACHIEVEMENTS IN THIRD FIVE YEAR PLAN**

(Plan Outlay : Rs.80 crores)

<table>
<thead>
<tr>
<th>No.</th>
<th>Particulars</th>
<th>Target set</th>
<th>Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Coverage of villages</td>
<td>5,63,629</td>
<td>5,02,816</td>
</tr>
<tr>
<td></td>
<td>45,352 village op. societies</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td>Number of societies</td>
<td>2,30,000</td>
<td>1,68,224</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(excluding 23,680 dormant societies)</td>
</tr>
<tr>
<td>3.</td>
<td>Membership</td>
<td>27 millions</td>
<td>24.6 millions</td>
</tr>
<tr>
<td>4.</td>
<td>Short and medium term Credit</td>
<td>Rs.529 lakhs</td>
<td>Rs.241 lakhs</td>
</tr>
<tr>
<td>5.</td>
<td>Long term credit</td>
<td>Rs.151 lakhs</td>
<td>Rs.163 lakhs</td>
</tr>
<tr>
<td>6.</td>
<td>Dealing in food-grains</td>
<td>Rs.200 crores</td>
<td>Rs.136.75 crores</td>
</tr>
<tr>
<td>7.</td>
<td>Agricultural produce</td>
<td>Rs.360 crores</td>
<td>Target achieved</td>
</tr>
<tr>
<td>8.</td>
<td>Co-operative processing Units</td>
<td>Rs.680 units</td>
<td>500 units</td>
</tr>
<tr>
<td>9.</td>
<td>Consumer Co-operatives societies</td>
<td>N.A.</td>
<td>13,077</td>
</tr>
<tr>
<td>Sr. No.</td>
<td>Name of working group/committee</td>
<td>Objectives</td>
<td>Main suggestions</td>
</tr>
<tr>
<td>---------</td>
<td>---------------------------------</td>
<td>------------</td>
<td>-----------------</td>
</tr>
<tr>
<td>1.</td>
<td>Working Group on Panchayats and co-operation by Government of India Report submitted (1963)</td>
<td>To study and suggest measures to achieve maximum co-ordination between the co-op. and Panchayats.</td>
<td>Both co-operative and Panchayat bodies, one could not be subordinate to the other and co-operative should remain complete autonomous bodies.</td>
</tr>
<tr>
<td>2.</td>
<td>Working group as &quot;Industrial co-operatives&quot; by Ministry of Commerce and Industry Report submitted, May, 1963</td>
<td>To review the present position of industrial co-operatives and recommended special programmes and targets to be achieved during the third plan.</td>
<td>To bring at least 30% of the workers in household industries under co-op organisation before the end of the third plan.</td>
</tr>
<tr>
<td>Sr. No.</td>
<td>Name of working group/committee (a)</td>
<td>Objectives (c)</td>
<td>Main suggestions (d)</td>
</tr>
<tr>
<td>---------</td>
<td>------------------------------------</td>
<td>----------------</td>
<td>---------------------</td>
</tr>
<tr>
<td>3.</td>
<td>Working group on &quot;Housing Co-operatives&quot;</td>
<td>The state Government should earmark 20 to 25% of the funds allotted under housing scheme for the co-operative sector. (May be 40% in case of good progress by state in co-operative housing.)</td>
<td></td>
</tr>
<tr>
<td>4.</td>
<td>Working Group as &quot;Non-Agricultural Sector&quot; May, 1963</td>
<td>Town with a population over 1 lakh should have 1 urban co-operative bank.</td>
<td></td>
</tr>
<tr>
<td>5.</td>
<td>Study Group as &quot;Transport co-operatives&quot; by Ministry of Transport Government of India, appointed in Sep. 1962. Report submitted May, 1964. Chairman: Shri S.N. Bilgrami.</td>
<td>To examine the scope for the transport co-operatives, draw up a pattern of organisation for such societies, assess their financial requirements and suggest pattern of financial assistance. (1) A very large number of goods transport co-operatives should be organised. These should be constituted by actual workers only. (2) To organise 1000 transport viable co-operatives by the end of the 4th plan.</td>
<td></td>
</tr>
<tr>
<td>6.</td>
<td>Working group on &quot;Fishers Co-operatives&quot;</td>
<td>(1) Ample financial assistance to societies from Government. (2) And share capital participation by Government in fisherment's societies</td>
<td></td>
</tr>
<tr>
<td>Sr. No.</td>
<td>Name of working group/committee</td>
<td>Objectives</td>
<td>Main suggestions</td>
</tr>
<tr>
<td>---------</td>
<td>---------------------------------</td>
<td>------------</td>
<td>-----------------</td>
</tr>
<tr>
<td>7.</td>
<td>Working group on &quot;Dairy and Animal Husbandries co-operatives (including poultry, piggery, sheep and A study team on &quot;General insurance co-operatives&quot;</td>
<td>(1) For dairy - where good service co-operatives are functioning no separate co-operatives needed. (2) For poultry separate co-operative are necessary for technical assistance and guidance. (3) On pilot basis primary wool producers and pig breeders co-operatives should be organised.</td>
<td></td>
</tr>
<tr>
<td>8.</td>
<td>A study team on &quot;General insurance co-operatives&quot;</td>
<td>(1) Nationalisation should not be regarded as a substitute for the cooperative. (2) Co-operative unit be promoted.</td>
<td></td>
</tr>
<tr>
<td>9.</td>
<td>Committee on &quot;Co-operative Administration&quot;. Appointed in: April, 1963. Chairman : Shri V.L. Mehta.</td>
<td>To review the departmental set up and to suggest broad lines for determining the strength of of departmental staff at various levels.</td>
<td>(1) Audit should be the statutory function of the Registrar. (2) Staffing pattern recommended by the committee is shown after this table. (3) Separate staff for liquidation work and for effecting recoveries. (4) Central co-operative Banks should take responsibility for supervising primary credit societies.</td>
</tr>
<tr>
<td>Sr. No.</td>
<td>Name of working group/committee</td>
<td>Objectives</td>
<td>Main suggestions</td>
</tr>
<tr>
<td>---------</td>
<td>---------------------------------</td>
<td>------------</td>
<td>-----------------</td>
</tr>
<tr>
<td>10.</td>
<td>Committee on &quot;Co-operative Marketing&quot;</td>
<td>To review the present pattern of organisation of co-operative marketing and give recommendations for ensuring sound and speedy development of agricultural marketing on co-operative basis.</td>
<td>(1) The role of co-operative marketing as integrated to credit, supplies etc. was emphasised.</td>
</tr>
<tr>
<td></td>
<td>&quot;Co-operative Marketing&quot;</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Appointed in 1964, By Government of India.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Chairmanship : Prof. M.L. Dantwala</td>
<td></td>
<td></td>
</tr>
<tr>
<td>11.</td>
<td>Committee on: &quot;Co-operation&quot;</td>
<td>1. To suggest measures for the proper development of the co-operative movement by eliminating non-genuine societies and vested interests. 2. Also to review the existing co-operative loans rules and practices.</td>
<td>The committee has recommended criteria to determine the genuineness of co-operative societies and in particular has suggested certain restriction in the matter of admission of membership of co-operative societies. Specific recommendations are:</td>
</tr>
<tr>
<td></td>
<td>&quot;Co-operation&quot;.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Appointed by - Government of India in 1964</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Chairmanship: Shri R. N. Mirdha</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(5) Suitable training should be given to the departmental and institutional staff.
TABLE Contd.

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Name of working group/committee</th>
<th>Objectives</th>
<th>Main suggestions</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a)</td>
<td>(b)</td>
<td>(c)</td>
<td>(d)</td>
</tr>
</tbody>
</table>

2. MANAGMENT :
   Elections should be held for managing committees after 2/ years. Few nominations by Government.
   No non-officials nominated on co-operatives.

3. RESOURCES :
   The Government should give financial assistance to the co-operatives in a way. Local bodies should be allowed to use co-operative banks as their bankers. A National Co-operative Bank should also be set up.

4. AUDIT :
   Regular audit must be enforced and for the said purpose, audit machinery should be strengthened.

5. CO-OPERATIVE TRAINING AND EDUCATION :
   More and more training and education should be given to the people.
The below mentioned chart has a reference to Point No. 9(2) above

The Registrar of Co-operative Societies
(IA S Training required - should be appointed for 3 to 5 years)

Joint Registrar for

Audit Credit Marketing Industrial Farming Consumer
& Banking & Societies Societies Co-operatives

Divisional Level (Incharge of
Deputy Registrars 5,000 societies)

District Level one (Incharge of
Asstt. Registrar whole district)

Circle Circle
Officer Officer

COMMENTS

During the third plan period much headway was made on the co-operative front. Emphasis on systematic study of various aspects needs to be appreciated. But still much remained to be done. As indicated in the statistics earlier, all targets were not achieved and there was considerable room for improvement. The people were still not conscious of the importance of co-operation. In addition, many societies were not functioning properly and they were running into losses. The number of trained personnel was also very small. There were intense rivalries. But the only satisfaction was that dent has been made.
FOURTH FIVE YEAR PLAN (1969 TO 1974)

OBJECTIVES

Growth and stability were expected to be the key-note of the co-operative movement during Fourth Plan. The plan stated: "It is important for planned development to bring out growth of cooperatives in all parts of the country to ensure the co-ordinated operation of various types of co-operative organisations." The plan aimed at to ensure that the services which farmer requires are institutionalised to the greatest extent possible.

During the Fourth plan, it was decided:

(1) (a) To re-organise the primary credit societies by making them viable units. (b) To rehabilitate and reorganise weak D.C.C. Banks. (c) To finance primary societies by the concerned apex co-operative banks. (d) To reduce overdues. (e) To strengthen the agricultural credit stabilisation funds. (f) To provide trained competent staff for the supervision of primary societies. (g) To encourage deposits, co-operative banks were required to open more branches in the rural areas. (h) To provide for Rs.750 crores by way of short medium term from credit to co-operatives and Rs.900 by way of long term credit.

(2) Policies and procedures of credit co-operative and land development bank were to be oriented in favour of small forms.

(3) Co-operatives were envisaged to handle agricultural crops worth Rs.900 crores. Besides, agricultural commodities worth Rs.25 crores in interstate and Rs.10 crores in export trade.
530, processing units were to be set up.

(4) The co-operatives were to establish an additional storage capacity of about and 2 O.M. tonnes.

(5) Consumer co-operatives: Stress was laid on consolidation and strengthening of existing co-operatives. Attention should be paid to the organisation and strengthening of central consumer co-operatives. They should distribute consumer articles worth Rs.500 crores.

(6) Co-operatives were expected to handle fertilisers worth Rs.650 crores, improve seeds worth Rs.50 crores, pesticides worth Rs.50 crores and implements worth Rs.15 crores.

(7) Other types of co-operatives were also to continue to receive attention. Weak co-operative farming societies were to be revitalised and new societies organised only in the compact areas if they have potential for growth.

During Fourth Five Year Plan period the co-operative made good progress, which indicated from the figures given below:

**TABLE - 4**

PROGRESS OF CO-OPERATIVE MOVEMENT DURING FOURTH PLAN

<table>
<thead>
<tr>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Number of societies (lakhs)</td>
<td>1.81</td>
<td>2.40</td>
<td>3.32</td>
<td>3.3</td>
<td>3.3</td>
</tr>
<tr>
<td>2.</td>
<td>Membership of primary societies (crores)</td>
<td>1.37</td>
<td>1.76</td>
<td>3.42</td>
<td>5.70</td>
<td>734</td>
</tr>
<tr>
<td>3.</td>
<td>Share capital (Rs. crores)</td>
<td>4.546</td>
<td>77.16</td>
<td>221.57</td>
<td>663</td>
<td>1225.78</td>
</tr>
<tr>
<td>4.</td>
<td>Working capital (Rs. crores)</td>
<td>275.35</td>
<td>468.82</td>
<td>1312.99</td>
<td>4089</td>
<td>9648</td>
</tr>
<tr>
<td>Types of societies</td>
<td>Number</td>
<td>Membership</td>
<td>Working Capital (in lakhs)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>----------------------------</td>
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<td>-----------------</td>
<td>---------------------------</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. General purpose</td>
<td>2,565</td>
<td>27,72,368</td>
<td>22,885</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>marketing societies</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Specialised societies</td>
<td>562</td>
<td>3,65,528</td>
<td>3,527</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Milk supply societies</td>
<td>18,548</td>
<td>15,93,981</td>
<td>4,1029</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Live stock/live stock</td>
<td>11,880</td>
<td>68,687</td>
<td>568</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>product societies</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Forming societies</td>
<td>8,857</td>
<td>2,48,899</td>
<td>2,085</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>6. Irrigation societies</td>
<td>5,025</td>
<td>1,82,559</td>
<td>2,110</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>7. Other agricultural</td>
<td>9,219</td>
<td>5,83,358</td>
<td>5,642</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>societies</td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
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<tr>
<td>8. Sugar societies</td>
<td>164</td>
<td>8,11,320</td>
<td>67,898</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9. Cotton ginning</td>
<td>227</td>
<td>1,70,204</td>
<td>5,023</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>processing societies</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10. Other processing Societies</td>
<td>832</td>
<td>2,18,733</td>
<td>2,367</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Types of societies</td>
<td>Number</td>
<td>Membership</td>
<td>Working Capital (in lakhs)</td>
<td></td>
<td></td>
<td></td>
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<td>------------------------------------</td>
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<td>-------------</td>
<td>---------------------------</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>11. Weavers societies</td>
<td>12,627</td>
<td>11,23,817</td>
<td>1,1025</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12. Spinning Mills</td>
<td>68</td>
<td>1,65,192</td>
<td>10,478</td>
<td></td>
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<td></td>
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<tr>
<td>13. Other industrial societies</td>
<td>26,320</td>
<td>13,05,931</td>
<td>6,244</td>
<td></td>
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<tr>
<td>14. Industrial Estate</td>
<td>195</td>
<td>15,977</td>
<td>2,627</td>
<td></td>
<td></td>
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<tr>
<td>15. Consumer store</td>
<td>14,745</td>
<td>45,08,577</td>
<td>5,463</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>16. Housing societies</td>
<td>25,650</td>
<td>16,47,871</td>
<td>63,645</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>17. Fishery societies</td>
<td>3,971</td>
<td>5,28,955</td>
<td>2,394</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>18. Other non-agricultural societies</td>
<td>6,522</td>
<td>5,50,465</td>
<td>3,364</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>19. Cold storage</td>
<td>50</td>
<td>11,758</td>
<td>322</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>20. Labour contract and Construction Societies</td>
<td>7,163</td>
<td>4,10,179</td>
<td>2,003</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>21. Forest labour societies</td>
<td>1,502</td>
<td>1,71,817</td>
<td>2,861</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>22. Transport societies</td>
<td>819</td>
<td>45,091</td>
<td>1,436</td>
<td></td>
<td></td>
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<tr>
<td>23. General insurance societies</td>
<td>2</td>
<td>922</td>
<td>N.A.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>14,7,542</td>
<td>1,75,02,129</td>
<td>2,27,966</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Note**: N.A. means Not available.

**Source**: India, 1977-1978.

**EVENTS**

During this period some important events relating to cooperative, movement took place. They are presented in brief as follows:

(a) All-India Rural Credit Review Committee:

The most important event is the establishment of All India Rural Credit Committee in 1969. The committee was appointed by the Governor of the Reserve Bank under the chairmanship of Shri B. Venkatappiah, member, Planning Commission.

The task before committee was to review the supply of rural credit in the context of the Fourth Plan in general and the
intensive agricultural programme in particular and to suggest measures for the reorganisation of rural credit.

A brief summary of the important recommendations of this committee can be made in the following manner.12

(1) Need for Viable Primary Co-operatives: The committee re-emphasised the need for viability at the primary stage of the co-operative credit structure. This consideration has tended to be neglected and a vigorous programme of reorganisation of primary societies is, therefore, necessary, so that only viable or potentially primary agricultural credit societies remain in existence at the end of 1970-71. The Committee desired that the unit at the primary level should play a bigger part than in the past in mobilizing rural resources. An increasing number of viable societies should endeavour to build themselves up to a position in which they could accept different types of deposits and offer all types of banking services, including the issue of remittances and collection of cheques.

Rehabilitation of weak central co-operative banks was another major line of action. Active administrative and policy measures for checking overdues were recommended including improved arrangements for supervision. Special measures were proposed for areas where the growth of co-operative credit had been retarded. A key role was accorded in this respect to the connected State Co-operative Bank.

(2) Lending Policies and Procedures: The Committee had suggested two sets of measures so far as lending policies and

procedures of co-operatives were concerned. One of these was concerned with the streamlining of procedures so as to render them simple, expeditious and flexible. It included a selective relaxation of the condition that a part of loan should be disbursed in kind, the simplification of application forms, reduction of the stages of securing of loan applications and the provision of cash credit facilities on a selective basis to cultivators engaged in multiple cropping.

(3) Small Farmers Development Agency: One of the most important recommendations of the All India Rural Credit Review Committee was the establishment of a Small Farmers Development Agency in about 30 selected districts in different states. The Committee pointed out that cultivators, whose holdings were small had not been benefited by new agricultural strategy because of inadequate inputs and credit. The Committee stressed that the neglect of these sections would not only affect production but also had far-reaching socio-economic implications.

(4) Term Credit for Financing Investment: The credit for financing investment in agriculture received considerable emphasis in the Review Committee's recommendations. The Committee suggested in respect of all such loans, that the technical feasibility and economic stability of the schemes should be regarded as a primary consideration; the period of the loan should be regarded as a primary consideration; the period of the loan should be based on repaying capacity; that, such lending should be carefully followed up and supervised; that, as far as possible, a project approach should be
adopted; and that such lending should be undertaken in close co-
ordination with the local Government authorities connected with
the supply of water, electricity and fertilizer. While
noting the remarkable progress made by co-operative land
development banks in recent years and their large programmes for
the Fourth Plan period, the Committee suggested measures for
reorienting their loan policies and procedures so that they
conform to principles of sound investment credit and help
ensure expedition and flexibility in operation.

It is in connection with the term credit requirements for
investment in agriculture that the Committee assigned a role of
growing importance to the Agricultural Refinance Corporation.
The Committee expected the Corporation, in conjunction with
the Agricultural Credit Department of the Reserve Bank, to
play an active part as co-ordinator, adviser and financier
of the long-term structure of agricultural credit.

(5) Rural Electrification Corporation: Closely related to these
measures for larger credit for investment in agriculture, is the
Committee's recommendation for the creation of a Rural
Electrification Corporation. The Committee emphasized that if -
as was estimated - 12.5 lakh additional pumpsets were to be
energized by 1973-74, it was necessary that the state
electricity boards find the necessary resources to extend
power lines to rural areas. It was to meet this requirement and
at the same time to place the supply of rural electricty on an
increasingly viable basis that the Committee proposed the
creation of a Rural Electrification Corporation with a fund
which would be additive to the normal provisions from governments and existing institution.

(6) Role of the Reserve Bank: It is in the context of the probable increase in the diversity and magnitude of agricultural credit that the Committee reviewed the question of the role of the Reserve Bank in rural credit. It came to the conclusion that the various promotional, refinancing and coordinating functions in this field which the Reserve Bank discharged were appropriately located in the central bank of the country and that any separate all-India institution would not only be unnecessary, but prove inadequate for the discharge of these functions. It would add to the number of channels through which credit will pass and therefore only serve to increase the cost of credit. At the same time, in view expanding dimensions and complexity of the role of the Reserve Bank in relation to agricultural credit, the Committee considered it necessary to create an Agricultural Credit Board within the Bank.

(7) Credit Facilities for Animal Husbandry. Among other recommendations of the Committee were those concerned with credit facilities for animal husbandry and allied activities. The Committee recommended that the Reserve Bank of India Act should be amended suitably so as to make it possible for the Bank's accommodation to be provided for financing animal husbandry activities even when undertaken independently of agriculture. The scope should also be extended to the financing of fisheries.
(8) Recruitment and Employment. On the important question of recruitment and employment generally, the Committee drew attention to the need for co-operative to attract competent personnel in adequate numbers. It was also necessary to evolve right conventions in regard to demarcation of responsibilities between elected boards of management and paid executives and other managerial personnel. The institution of cadres for key personnel of co-operative credit institutions was recommended as a measure which would help tone up their administration and give a new dimension to co-operative employment. The Committee also recommended by placing greater emphasis on the institutional and practical aspects of co-operative credit and that the Reserve Bank should play an active role in this sphere in close co-ordination with other agencies.

The report of this committee covered the entire range of agricultural credit and suggested measures for development of various institutional agencies for servicing agricultural production programme.

(b) Conference of State Ministers of Co-operation:

A conference of the state ministers of co-operation was held in June-July 1969. It reviewed the main trends in the growth of the co-operative movement, stressed the need for the co-operatives to reorient their policies and programmes in the context of the new strategy for agricultural development and outlined measures for strengthening and diversification of co-operative activities.
The important points of criticism which were discussed in the conference of state ministers are: (i) Greater emphasis should be laid on practical training and on full utilisation of already trained personnel. It is desirable to have more educational cess so that adequate funds can be raised for education and training. (ii) It was also suggested that the provision in the fourth plan for marketing and processing co-operatives was rather inadequate. N.C.D.C.'s development fund should be augmented. (iii) The loaning procedure and policies should be objective and product oriented.

Other suggestions were also valuable viz. to curb the vested interests and to tackle the problem of overdues realistically, speedy implementation of the programme of revitalisation of primary agricultural credit societies and rehabilitation of Central Bank.

As per the recommendation of the committee: (a) 45 small farmer's development agencies in selected districts were set up. (b) Rural electronication corporation was set up. (c) 41 pilot projects were set up for the development of larger class of sub-marginal farmers and agricultural labour.

**COMMENTS**

The performance of the co-operative movement during the fourth plan period present a mixed picture. In respect of one item, namely, co-operative marketing of agricultural produce. The fourth plan target were exceeded (the target was Rs.900 crores but it actually exceeded to Rs.1000 crores) in respect of certain other items such co-operative credit and co-operative storage.
The target was achieved substantially. With regard to remaining items, there were shortfalls against the plan targets.

On the whole, progress made on the co-operative front was quite significant. It kept pace with targets, though at places and times the plan as well as co-operative targets had their own problems.

**FIFTH FIVE YEAR PLAN (1973-74 to 1978-79)**

**OBJECTIVES**

The objective of the Fifth Five Year Plan was to consolidate and strengthen the co-operatives as democratic and viable units responsive to the needs of the peasants, the artisans, the workers and the consumers. The co-operative movement was recognised to serve as an important instrument for implementing National policies of "Growth with social justice".

The co-operative development, during fifth plan, had four specific objectives:

1. To strengthen the net work of agricultural co-operative (credit supply, marketing and processing) so as to bring about agricultural development.
2. To build up a viable consumer co-operative movement.
3. To remove regional imbalance in the level of co-operative development, particularly in the sphere of agricultural credit and
4. To structure and reorientate the co-operatives so that these became more useful to small farmers and tribal people.
To see that co-operative institutions are suitably and adequately manned by professional managers suitable measures will be taken for the establishment of orders at appropriate levels in the different sectors of the co-operative movement. The co-operative laws are proposed to be amended, wherever necessary to provide for a suitable legal base for the establishment of management cadres.

STATISTICS

TABLE - 7

TARGETS AND ACHIEVEMENTS DURING FIFTH PLAN
(Plan outlay : Rs. 423 crores)

(Rs. in crores)

<table>
<thead>
<tr>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Short-term credit disbursed during 5 years. (Rs.)</td>
<td>680</td>
<td>1200</td>
<td>1262</td>
</tr>
<tr>
<td>2.</td>
<td>Medium-term credit disbursed during 5 years. (Rs.)</td>
<td>325</td>
<td>350</td>
<td>753</td>
</tr>
<tr>
<td>3.</td>
<td>Long-term credit investment in 5 years. (Rs.)</td>
<td>700</td>
<td>1100</td>
<td>1095</td>
</tr>
<tr>
<td>4.</td>
<td>Agricultural produce marketed in the year (Rs.)</td>
<td>900</td>
<td>1600</td>
<td>1334</td>
</tr>
<tr>
<td>5.</td>
<td>Co-operative processing units:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6.</td>
<td>Fertilizers distributed in a year. (Rs.)</td>
<td>450</td>
<td>1000</td>
<td>900</td>
</tr>
<tr>
<td>7.</td>
<td>Seed, pesticides and Agricultural Machinery. (Rs.)</td>
<td>100</td>
<td>200</td>
<td>115</td>
</tr>
<tr>
<td>8.</td>
<td>Storage at the end of the Plan (Lakh Tonnes) :</td>
<td>32.28</td>
<td>50</td>
<td>45</td>
</tr>
<tr>
<td>9.</td>
<td>Consumers goods distributed in one year (Rs.)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a)</td>
<td>in Urban areas</td>
<td>275</td>
<td>700</td>
<td>650</td>
</tr>
<tr>
<td>(b)</td>
<td>in Rural areas</td>
<td>250</td>
<td>500</td>
<td>600</td>
</tr>
</tbody>
</table>
EVENTS

During this period some important events relating to co-operative movement took place. They are presented in brief as follows:

(a) Co-operatives and emergency: In 1975 emergency was declared in the country. Throughout this period co-operative system of working was encouraged. Co-operative societies were strengthened and it was ensured that they became economically viable.

(b) The 20 point Economic Programme: The 20 Point Economic Programme was launched in 1975. And accordingly the societies were asked to advance more and liberal loans to weaker sections of the society. In addition more loans were channelised through the societies. A network of rural banks was set up in the country.

(c) Co-operative and Janata Party: In 1977 Janata Party came to power. It felt that the plan had urban orientation and that all the targets fixed needed revisions and re-looking. The result was that co-operative movement received some set back. But on the whole, during Janata regime need and necessity of co-operatives was never under-estimated. It knew that vast majority lived in villages and belonged to weaker sections of society. The Co-operative was the only alternative for development.

The growth has been made possible due to continuous process of deliberations. At various levels various co-operative institutions are becoming active and vocal in recent years. The regular conferences of state ministers of co-operation, conferences of Registrars of co-operative societies, National co-
operative Union of India, National Co-operative Development Corporation, The Consultative Committee, working groups of planning commission, Agricultural Credit Department of Reserve Bank of India, often appointed committees and working groups to make a fact finding survey and recommended the suggestions for development.

Recently, two high level committees have been appointed viz. National Commission on Agriculture and the Banking Commission. The recommendations of these commissions include structural changes in the co-operative set up at the primary level.  

COMMENTS

It is encouraging to note that the Reserve Bank of India regularly published the statistical statements relating to the co-operative movement in India and the review of committee's movement. This consolidated review is extremely useful as a source of information for study. The essential structure continues to be three tier, but there are various imbalances that are noted in the growth. In order to improve the situation, the following important approaches were considered.

(1) Use of expert study teams to assess the actual requirements.
(2) Rehabilitation of weak central Co-operative Banks through suitable contributions by central and state Governments.
(3) The Banking Commission (1972) has recommended setting up of rural banks to cover the population between 5000 to 20,000 (to be related to national extension block). It is also worth while to develop.

(4) Study team has already been appointed to report on the arrangements in hilly and tribal areas. Perhaps, multi-purpose societies might be able to solve the problems.

(5) Small Farmer's Development Agency and Marginal Farmer's and Agricultural Labourers Projects have attracted the funds to the tune of Rs. 115 crores during Fourth Plan (In Maharashtra). For example, Bhandara, Nasik, Thana, Ratnagiri and Satara are selected for small Farmer's Development Agency and Ratnagiri, Satara and Parbhani are selected for Marginal Farmers and Agricultural Labourers.

(6) A change in the policy of Taccavi loans needs to be mentioned. The All India Rural Credit Reivew Committee recommended that direct Taccavi loans to individual cultivators be discontinued. Most of the states have revised the pattern, Now, efforts are being made to bring Taccavi recipients under co-operative fold.

SIXTH FIVE YEAR PLAN (1979-80 to 1983-84)

OBJECTIVES

Co-operation has been assigned an important role in the economic development programme of the country. Strategy for the Sixth Plan is to strengthen and consolidate the co-operative at the primary as well as the secondary levels and to develop professional caders to man managerial positions in the co-operatives.

In the light of the problems and constrains of the fifth plan, it is proposed to specifically direct attention during
Sixth Fifth Year Plan to the following objects.

(a) A clearly conceived action programme has been drawn up for the strengthening of primary village societies so that they are able to effectively act as multi-purpose units catering to diverse needs of their members.

(b) Existing co-operation policies and procedures have been examined with a view to ensuring that the effort of the co-operatives are more systematically directed towards ameliorating the economic conditions of the rural poor.

(c) Re-organisation and consolidation of the role of the co-operative federal organisations is underway so that they may be able through their constituent organisations to effectively support a rapidly diversifying and expanding agricultural sector, with credit input, supply, marketing and other services.

(d) Development of professional manpower and appropriate professional cadres to man managerial positions.

Apart from the above mentioned task, the important programmes which are to be undertaken in the Sixth Plan are: 1) Promotion of voluntary schemes and social action programme. 2) Promotion and strengthening of Mahila/Yuvak Mandalis. 3) Pilot projects of public co-operation, implemented by the State Government. 4) And, provision of central grants for research studies in the field of rural department.

STATISTICS

Co-operation, since Independence has been making significant
progress which is indicated from the figures given below:

**TABLE - 8**

CO-OPERATIVE MOVEMENT SINCE INDEPENDENCE

<table>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of societies (lakh)</td>
<td>3.30</td>
<td>3.20</td>
<td>3.10</td>
<td>2.99</td>
<td>2.88</td>
</tr>
<tr>
<td>Membership of societies</td>
<td>352</td>
<td>644</td>
<td>848</td>
<td>1,062</td>
<td>1,149</td>
</tr>
<tr>
<td>(lakh)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share capital (Rs. crores)</td>
<td>222</td>
<td>851</td>
<td>1,529</td>
<td>2,088</td>
<td>2,100</td>
</tr>
<tr>
<td>Working capital (Rs. crores)</td>
<td>1,312</td>
<td>6,810</td>
<td>12,432</td>
<td>20,021</td>
<td>21,000</td>
</tr>
</tbody>
</table>

Development of Non-credit co-operative societies (Selected) by 1981-82.

**TABLE - 9**

DEVELOPMENT OF NON-CREDIT CO-OPERATIVE SOCIETIES (SELECTED) BY 1981-82

<table>
<thead>
<tr>
<th>Type of society</th>
<th>Number</th>
<th>Membership (in '000)</th>
<th>Working Capital (in lakh)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Milk supply societies</td>
<td>31,395</td>
<td>2951</td>
<td>9,926</td>
</tr>
<tr>
<td>Poultry co-operative societies</td>
<td>1,437</td>
<td>101</td>
<td>14,235</td>
</tr>
<tr>
<td>Fishery societies</td>
<td>4,923</td>
<td>546</td>
<td>2,507</td>
</tr>
<tr>
<td>Forest Labour Societies</td>
<td>1,369</td>
<td>249</td>
<td>8,571</td>
</tr>
<tr>
<td>Labour contract and construction</td>
<td>14,398</td>
<td>770</td>
<td>5,054</td>
</tr>
</tbody>
</table>


**EVENTS**

The events which had taken in the Sixth Plan and thereafter are as mentioned below:
Progress of all societies (No. of societies)

Progress of all societies (Membership of societies)
1980 Elections and After: In 1979 Janta Party, which had come to power in 1977, disintegrated and early in 1980 Congress(I) came to power at centre and in many states. The new Government has decided, to again look into the plan targets. But it is very clear that, the Government attaches great importance to co-operatives and is of the view that unless co-operative movement is encouraged and developed, many of our existing rural problems in the country will not be solved. Co-operative thus continues to get maximum care and attention.

Other yearwise events are:

1979: Eighth Indian Co-operative Congress held in New Delhi.
1980: All India Fishermen Co-operative Federation Ltd. established.
1981: Ninth Indian Co-operative Congress held in New Delhi.
1982: NABARD Inaugurated on November 5, 1982. (National Bank for Agriculture and Rural Development)

The Government of India has taken a decision to establish National Bank for Agriculture and Rural Development (NABARD) to co-ordinate agricultural credit system and ensure smooth and effective flow of credit to agriculture and rural sector of national economy.

SIGNIFICANT FEATURES OF CO-OPERATION DURING THE PLANNING ERA (Progress After Independence)

The progress made after independence has been marked. The defects and short-comings of pre-independence period have been removed. Many factors have influenced the progress after
independence. Some important factors are as follows. These also can be said as the salient features of co-operative movement during the planning era.

1. State Participation:

The state participated in a big way. By 1968, state contribution to the share capital of credit societies amounted to 58 crores. It is important to note that the state contribution does not interfere in the day today administration and helps the managements of co-operative units to retain its co-operative character.

2. Diversification of Activities:

It is very clear that during the five year plans, considerable diversification has taken place. A large number of credit and non credit societies are established. The co-operative distribution has penetrated into the private monopoly distribution, co-operative banking plays a very significant role. Co-operative processing units are changing the face of rural India and the co-operative marketing structure has provided useful agency to implement Government's food policy. The variety of co-operative societies is also increasing viz., milk co-operatives, transport co-operatives, housing co-operatives, workers co-operatives, women's co-operatives, farming co-operatives, irrigation co-operatives etc.

3. Major Instrument of Democratic Planning:

The building up of a co-operative sector as a part of the scheme of planned development is one of the central aims of
National Policy. The Government's thinking is reflected in the plan document. "It is important for planned development to bring about the growth of co-operatives in all parts of the world to ensure the coordinated operations of various types of co-operative organisations".

The confidence of Government is repeatedly revealed in most of the Government publications including Reserve Bank of India. Review of the co-operative movement in India published every two years.

4. Growth of Federal Organisations:

It is interesting to note that during the last few years quite a few federal organisations have been developed under the leadership of National Co-operative Union. At the state level co-operative unions have been organised. The National Federation of Urban Co-operative Banks, National Federation of State Co-operative Banks and Co-operative Societies have also been established. Organisationally, these unions have become representative bodies of all types of co-operatives societies. Thus federal organisations help the Government to stage the future policy in relation to co-operation.

5. De-Officialisation:

It is a well known fact that before independence the participation of the Government in the co-operative activities was a predominant feature. In fact, the movement was dominated by Government officials for quite a long time. During the last 20
years or so the control of the movement seems to have been transferred to the non-officials. The basic objectives of de-officialization has been to make the movement self-reliant, self regulatory and self-generating. It should also be free from outside interference. The management of societies and power to take decisions have now become the responsibility of members of the concerned societies and their elected representatives. If some directors are nominated by the Government, generally, the number will not exceed 1/3 of the board members or 3, whichever is less to maintain the freedom of non-officialisation.

6. Entry of Politics and Politicians:

One of the disquieting features of the co-operative movement has been the entry of politics and politicians in the co-operative movement. It is true that the degree of involvement of politics and politicians may vary from state to state. The All India Rural Credit Review Committee in 1969 already expressed "The experience of the last few years does seem to suggest that there is a real danger of operational policies and methods of co-operatives being governed by political considerations though, neither the entry of politicians into the ranks of co-operative leadership, nor the emergence of co-operators as political leaders need be an undesirable development in itself. From the limited point of view of rural credit it is clear that their political interests in certain circumstances have begun to affect the working of the institutions in various ways causing credit to be denied to certain groups or to be provided to others in
transgression of the rules in force or causing repayment of co-operative dues to be delayed or ignored. "In trade union movement the political domination seems to have affected the growth of labour movement as such. In case of co-operative movement, however, it is difficult to establish conclusively that the politicians have adversely affected the growth of the movement. However, the political elements are creeping into the co-operative movement and it is better to guard the movement from such foreign element.

7. Establishment of Sound Structure:

During the last 80 years the co-operative have built a sound structure in credit as well as non-credit sector. For example in the credit sector each state has an 'Apex Bank'. The rationalisation of the Central Banks has almost been completed all over the country. The number of apex institutions of national and state level have been established for non-credit institutions also.

Establishment of National Bank for Agriculture and Rural Development in 1982, was the important landmark in the history of co-operative credit. The object was to create institutional arrangements at national level for financing, co-ordinating, guiding and controlling co-operative credit system.

It means that the foundation of the organisation structure is available to the co-operative movement. This is not to say that the co-operative movement is free from any defects or that the growth has all the while been quite balanced, but
organisationally, one should be proud of the fact that the structure has been built up on the experience of the last few years and it may be hoped that marginal defects can be removed and the structure can absorb, the challenges of the future.

**SUMMARY AND CONCLUSION**

The Co-operative movement originated in England. The first Co-operative Society named, "Rohadule Friendly Co-operative Society" was formed there in 1830. As far co-operative credit institutions were concerned, they started first in the world, in Germany in the middle of 19th century.

So far as Indian co-operative movement is concerned, the introduction of co-operative societies act. 1904 was considered as the real beginning of co-operative movement in India.

The development of co-operation in India during pre-independence period was unplanned. The other important observations of the pre-independence period were:

1. Official sponsorship of the movement- Role of non-officials was restricted.
2. Co-operative movement in this period was largely restricted to credit.
3. Financial involvement of the Government was negligible.

Since the attainment of independence, it was seen that the co-operative movement made rapid progress in various directions. As the nation has accepted the concept of planned economy after independence and also accepted the socialist pattern of society as its policy objective, in all the Sixth Five Year Plans, the rapid progress in co-operative movement was seen. The Government
has from time to time taken important steps to reorganise and to
develop the co-operative movement in terms of the recommendations
of various committee like the Co-operative Planning Committee
(1946), the All India Rural Credit Survey Committee (1954), the
Vaikunthalal Mehta Committee (1960). All India Rural Credit
Review Committee (1969) etc. Further, the co-operation has been
assigned an important role in country's plan.

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