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ORIGIN AND DEVELOPMENT OF
COOPERATIVE MOVEMENT IN INDIA

2.1 Origin and Growth of the Movement

The Indian cooperative 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 Revolution led to the decay of cottage industries and growing pressure on land, making agriculture an uneconomic venture; greater mobility of rich people from villages to towns and of capital to new channels of investment; the growth of middlemen acting as parasites to the disadvantage of small producers; new debt legislations which changed completely the borrowing and the lending system; the change in the method of payment of land revenue from kind to cash, throwing the cultivators into the clutches of the money-lenders, etc. All these destroyed the self-sufficient economy of the villages. The failure of rains and frequent famines added fuel to the fire. The indebtedness of the farmers increased by leaps and bounds. Their belief in fate strengthened. This fatalism coupled with illiteracy threw them into the deep ditch of stagnation, dejection and disappointment. The government first took indirect steps to check the growing influence of the Mahajan but much success could not be achieved. Thereafter various legislative measures were adopted for granting loans and credit facilities to the farmers for their agricultural pursuits. Among these measures mention may be made of the Deccan Agriculturists' Relief Act of 1879, the Land Improvement Loans Act of 1883, and the Agriculturists' Loans Act of 1884. Some thoughtful intelligent persons also strove to establish an Agricultural Bank in the Purandhartaluka of the Poona district, but they could not succeed.

The need for providing cheap credit facilities to the farmers went on becoming strong and the idea of starting cooperative credit societies was hatched in 1892. The Madras Government sent Sir Frederick Nicholson for studying the cooperative movements in European countries. Nicholson's report was received in 1899 and it was brought to the notice of the Government of India. Nicholson remarked, "Find Raiffeisen".

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Meanwhile, some 200 cooperative societies and Nidhis in UP and Madras had already come into existence. In 1903 their membership and working capital stood at 36,000 and Rs. 75 lakh respectively. The Government of India appointed in 1901 a Committee under the President ship of Sir Edward Law to study the question of starting cooperative credit societies in India. This committee also recommended establishment of cooperative societies on the Raiffeisen model. The Famine Committee of 1901 also recommended the setting-up of Mutual Credit Associations. Accordingly, the Cooperative Credit Societies Act was passed in 1904. This Act provided for the establishment of credit societies both in rural and urban areas, for providing credit facilities at cheap rates to small men living in the same locality. Rural societies were to be organized on the Raiffeisen model while the urban societies were to be established on the Schulze Delitzsch pattern. Provision was also made in the Act for the appointment of registrars in every province. The modern cooperative movement in India, thus, may be said to have started with the passing of this Act. The history of the origin and growth of the cooperative movement in India can be divided into following periods:

2.1.1 Cooperative Movement in India from 1904 to 1911

The characteristic features of this period were the Act of 1904 and the legal recognition to the cooperative societies that were in existence. The chief features of the Act of 1904 were as under:

i. Any 10 persons living in the same area could form a cooperative society for the encouragement of thrift and self-help among the members.

ii. The chief objects of a society would be to raise funds by deposits from members, as well as loans from non-members, government and other cooperative societies and to distribute these funds as loans to members or with the permission of the registrar, to other cooperative credit societies.

iii. The cooperative credit societies in each province were to be under the control and administration of the Registrar of Cooperative Societies.
iv. The accounts of the societies were to be audited by the Registrar of Cooperative Societies. 4/5th of the members of rural societies were to be agriculturists and of urban societies, non-agriculturists.

v. The rural societies were to be organized on the basis of limited liability, while in the case of urban societies the liability of members could be limited or unlimited.

vi. In the 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. When this fund would grow beyond the limits set by the Act, a bonus might be distributed to the members.

vii. No dividend would be paid to the members in the case of urban societies, until 1/4th of the profits in a year had been deposited into the reserve fund.

viii. Loans could be advanced only to the members. Members could purchase shares only up to the limit fixed under the Act.

ix. The credit societies were to be exempted from the payment of fees and taxes.

It would be seen that the Act of 1904 provided only for the organization of credit societies in rural and urban areas. Immediately after the appointment of Registrars in various provinces, the number of societies went on increasing and in 1911 there were 5,321 societies with 305.06 thousand members and Rs. 203.05 lakh as working capital. It was, however, realized that the Act had certain shortcomings in the sense that it did not provide any legal protection to the societies organized for purposes other than credit or to the central agencies, banks, unions, etc. These defects were remedied by the Cooperative Societies Act of 1912.

2.1.2 Cooperative Movement in India from 1912 to 1918

The chief provisions of the Act of 1912 were as follows:

i. Any society which aimed at the promotion of the economic interests of its members could now be established.

ii. The liability of central societies was to be limited while that of the members of rural credit societies was to be unlimited. After carrying 1/4th of the annual
profits to the reserve fund, 10 per cent of the balance could be spent for charitable purposes.

iii. Local governments were permitted to use their discretion in making rules and bye-laws of the societies.

iv. The term 'Cooperative' could not be used as part of the title of any business concern registered under the Act unless it was already doing the business under that name before the commencement of the Act.

v. Shares of interest in cooperatives were exempted from attachment.

vi. Cooperative societies were given priority in regard to the recovery of certain dues.

vii. Other provisions of the Act of 1904 were retained as they were. The Act of 1912, thus, recognized the formation of non-credit societies, and the central cooperative organizations. The societies were now classified as limited and unlimited societies. A number of societies for the sale of agricultural produce, purchase of manures, implements and other necessaries were organized. With a view to ensuring that the cooperative movement was developing along the right lines the Government of India appointed a Committee under the Chairmanship of Sir Maclagan in October 1914. The report of this Committee was submitted in 1915. This Committee observed that the impression of the people was that the cooperative societies were government agencies and therefore, the committee emphasized that the urge towards the establishment of cooperative societies should be, as far as possible, spontaneous. The Committee further stressed the need for a thorough audit and supervision of the movement for inspiring confidence among the people. The committee suggested that the societies may be classified into:

(a) Primary societies;
(b) Cooperative unions;
(c) Central Cooperative Banks; and
(d) Provincial Cooperative Banks.

The Committee also drew attention to the cardinal principles for the success of rural credit societies, viz.,
Knowledge of cooperative principles and proper selection of members;

Transparent honesty in dealing with members;

Careful scrutiny before granting loans and proper vigilance afterwards;

Democratic management;

Adopting "one man one vote" principle;

Punctual repayment of loans;

Building up of strong reserve fund; and

Encouragement of thrift. The movement went on making rapid progress and the number of societies increased to 25,192 with 11 lakh members and Rs. 760.09 lakh as working capital.

2.1.3 Cooperative Movement in India from 1919 to 1929

With the transfer of cooperation as a provincial subject under the Reforms Act of 1919, further stimulus was provided to the cooperative movement. Several provinces appointed committees of enquiry and Cooperative Acts were passed. The Royal Commission on Agriculture also studied the working of the cooperative movement and it suggested the organization of cooperatives for the development of agriculture. The Central and the Provincial Banking Enquiry Committees also made suggestions for the improvement of the working of the cooperative societies. The movement continued to make rapid progress. During this period the number of credit societies reached 87,991, with 30,04,000 members and Rs. 32.38 crore as working capital. The number of non-credit societies was 9,761 with 9,92,000 members and Rs. 13.63 lakh as working capital. This period has been characterized as a period of indiscriminate and unplanned expansion.

2.1.4 Cooperative Movement in India from 1930 to 1938

The most significant features of this period were the great depression, and the establishment of the Reserve Bank of India in 1935. The depression hit hard the movement. The outstanding rose heavily. In some provinces, viz., CP. and Berar, Bihar, Orissa and Bengal the movement nearly collapsed. Several district central banks were closed and many societies were wound up. The depression cleared the
haze and exposed the defects in the structure and organization of the cooperative societies in the country. A number of committees were appointed in provinces to suggest ways and means for the re-construction of the movement. Further expansion of the movement was stopped and steps were taken to consolidate the position. Obviously, official control was bound to increase. Cooperative Acts were passed by more and more Provincial Governments. The Reserve Bank of India was established in 1935 with an Agricultural Credit Department. The main function of this department was to help the cooperative movement. Accordingly, the Reserve Bank of India conducted investigations and enquiries and on the basis of its findings, it advised the Provincial Governments to improve the working of the credit societies. It also collected valuable information regarding the movement.

During this period the number of societies came down to 1,22,000, with 53.7 lakh members and Rs. 106.47 crore of working capital. There was a marked decrease in the overdues of agricultural credit societies.

2.1.5 Cooperative Movement in India from 1939 to 1950

During this period the cooperative movement made rapid progress as a result of the Second World War. The farmers gained heavily owing to an increase in the prices of agricultural commodities. They paid off their debts. The deposits of the societies increased and the demand for fresh loans was rather low. Consequently, many banks were faced with the problem of surplus funds. Consequent upon the introduction of controls and food rationing, a number of consumer cooperative stores were established. Industrial cooperatives were also set up chiefly to produce war material and also to supply commodities to the civilians. During this period the number of societies increased from 1,22,000 in 1938-39 to 1,72,000 in 1945-46. The membership and working capital during the same period rose from 53.7 lakh to 91.6 lakh and Rs. 106.47 crore to Rs. 164 crore respectively. The war also gave fillip to the organization of non-credit societies and the multipurpose cooperatives. The prosperity of the movement was, however, short-lived. With the termination of hostilities a number of societies were wound up. In 1944, the Government of India appointed the Agricultural Finance Sub-Committee under the chairmanship of Professor D.R.
The Committee expressed the view that "cooperation would provide the best and the most lasting solution for the problem of agricultural credit". In 1945, the Government of India appointed the Cooperative Planning Committee under the chairmanship of Shri R.G. Saraiya for drawing up a plan for the future development of cooperative movement. Its report was submitted in 1946.

The Saraiya Committee after thoroughly examining all the segments of the cooperative movement and after reviewing the cooperative Acts, recommended as under:

i. "The experience of working of the Cooperative Societies Act of 1912 and the Acts passed by the provinces has shown that they stand in need of revision in certain respects. It is necessary, that the defects in the law should be removed so as to facilitate the smooth working of the plans. The provinces where Cooperatives Societies Act 1912 is still in force should pass special Acts in view of their past experience and the future needs of the movement. The provinces which have already Special Acts should examine their provisions and bring them up to date. The provincial governments should also examine other Acts which have a bearing on the cooperative movement and amend them suitably. Where such an Act falls within the legislative jurisdiction of Central Government, they should take necessary steps to amend it."

ii. "A specific provision for appealing against refusal by the Registrar to register a society should be made in the Act as is the case with regard to an order cancelling the registration of a society".

iii. "A specific provision should be made for splitting a society into two or more societies and also for amalgamating two or more societies into one without having to liquidate first."

iv. "Any dispute about a person being or not being a member of the society should be referred to the Registrar, whose decision should be final. No dispute of this nature should be cognizable by a Civil Court."

v. "It is necessary to provide for the appointment of a liquidator to manage the society's affairs till appeal against the cancellation order is rejected or accepted."
On 15th August 1947, India achieved independence and in 1950, the Government of India appointed the Planning Commission which started formulating Five Year Plans of national development in which cooperation was given a pivotal role to secure peoples' participation in the formulation and implementation of plans for their development. The partition of the country resulted into communal riots and bloodshed and led to mass migration from one dominion to another. A large number of problems cropped up and the movement passed through a difficult period. The progress was however maintained and cooperatives continued to be associated with the process of economic development for establishing, "an integrated and just society, providing individual liberty in its true sense, equality of opportunity and basic economic minimum for all."

2.1.6 Cooperative Movement in India (First Five Year Plan" 1951-56)

The First Five Year Plan recognized cooperation as an "instrument of planned economic action in democracy", suiting to the requirement of the government for implementing the development plans particularly for agriculturists and the weaker sections of the society. The First Five Year Plan spelt out the vision of the cooperative movement and also the rationale for emphasizing Cooperatives and Panchayats as preferred organizational forms for economic and political development. The purpose of the Plan was explicitly to change the economy of the country from an individualistic to a socially regulated and cooperative basis. The Government of India, therefore, at various levels, provided active financial, administrative and legislative assistance to the movement. According to the Plan, "as it is the purpose of the plan to change the economy of the country from an individualistic to social and cooperative basis, its success should be judged among other things, by the extent to which it is implemented through cooperative organization".

The State Governments started establishing Panchayats as civic and developmental bodies charged with the general responsibility of attending to the collective welfare of the village community. Programs of production for the village, obtaining and utilizing governmental assistance for the betterment of the village, construction of roads, tanks etc. encouraging villagers to improve the standards of cultivation, organizing
voluntary labor for community works etc. were brought within the purview of the Panchayats. The impetus of the special need created in several parts of the country by agrarian legislation regulating the business of money lenders, scaling down of debts, restricting rents and abolishing landlordism hastened the pace of progress of the cooperative credit societies. In industry, commerce, transport and retail distribution cooperatives gained experience and strength.

The States realized the importance of developing cooperative organizations as an instrument of re-organizing rural life. Among the cooperative organizations working in the rural areas the multipurpose society came to occupy an important place. An apex cooperative bank was also established in almost all the States.

The purchase of the farmer's requirements and the sale of his produce are the most important activities in the field of farming. Due to inability of the farmer to reap full fruits of his industry the organization of cooperative sale and purchase societies and of other marketing organizations was vitally needed. The emphasis of the Plan was on augmenting agricultural production. Cooperatives helped to increase the effectiveness of extension work. Services required by cultivators for efficient utilization of their land were also made available by the cooperatives - such as seeds, fertilizers and implements, and were supplied by the cooperatives even to the smallest farmer. It was felt that in all the aspects of community development, cooperative methods of organization should be adopted to the maximum possible extent. Accordingly, the priority was given to cooperative farming. In the rural areas, the needs of employment could not be met by farming alone and therefore the advantage of industrial cooperatives for rural workers was recognized. Cooperative financing and marketing agencies had very limited experience of doing business with industrial cooperatives. Consequently the industrial cooperatives only made a very limited progress.

In urban areas a large number of small artisans who were unable to organize themselves according to the requirements of modem times, needed guidance and necessary resources for their organization on scientific lines. Accordingly small industries using advantages like power and special techniques were organized on a cooperative basis. The utility of cooperation in the urban areas was also extended to the credit and other needs of small entrepreneurs and cottage workers. Cooperative
banks were organized and importance was also given to consumers' cooperatives, housing cooperatives, construction cooperatives etc.

Since the cooperative movement was essentially dependent on the ability of persons from humble walks of life who were often amateurs in the handling of business operations the need for their training and education was greater than for those who had ample resources and business experience. Many of the managerial and supervisory functions required specialized knowledge and technical skill. The cooperatives needed qualified staff and also facilities to train the existing staff adequately, which were not available.

2.1.7 Cooperative Movement in India (Second Five Year Plan -1956-61)

The Second Five Year Plan recognized the need for building a cooperative sector as part of the scheme of planned development. The Plan emphasized that the area of operation of a primary cooperative should be large enough to make it an efficient unit and at the same time it should not be so large that it might become difficult to secure amongst members the knowledge, the sense of mutual obligation and concern for rehabilitation of the weaker sections of the community and the intimate contact between the management and individual families without which cooperation cannot make a real impact on rural life. The government in accordance with the recommendation of the Committee of Direction of the Rural Credit Survey (1954) reorganized the rural credit and marketing cooperatives. The salient features of this re-organization were as follows:

i. The state should partner with the cooperative institutions at various levels. It was felt that financial partnership would provide an additional strength to cooperatives and make available to them in fuller measure assistance and guidance from the government. This principle of state partnership was to apply especially at the apex and the central bank level and in a more flexible manner at the primary level. It was also made clear that the essential basis of this partnership was to provide assistance and not to interfere with or control the affairs of the society.
Another feature of the scheme was that credit and non-credit societies were to be linked to one another so that the agriculturist could be provided with the credit for the purchase of inputs and was also helped in disposing off his produce. Therefore, the Rural Credit Survey Committee recommended the organization of large-sized credit societies by amalgamating the existing small societies and by setting up new societies according to the pattern recommended by the Committee.

Rural credit societies were to be affiliated to the primary marketing society serving a Mandi area. Agriculturalists were to receive loans from credit societies and also obtain from them their requirements either for cash or against approved credit limits. Credit societies were expected to collect the produce of their members for disposal through the marketing societies and purchase the goods and inputs required by members from the marketing societies and distribute them to the members. Primary marketing societies were federated into apex marketing society at the state level.

Loans were to be advanced by credit societies on the basis of production programs and anticipated crops. A maximum credit limit was to be fixed for each member to obtain loans for his requirements within this limit. To ensure proper use of funds, loans were to be given as far as possible in kind, in the form of seeds, fertilizers etc.

Primary marketing societies and better organized credit societies were to be assisted to construct godowns on a large scale. Warehouse receipts were to be treated as negotiable instruments on the security of which banking institutions would provide credit to those who deposit agricultural produce in the warehouses.

In the Second Five Year Plan provision was made for developing cooperative processing on a substantial scale especially for producing sugar, ginning cotton, crushing oil and bailing jute.

Realizing the importance of cooperative education and training, the Government of India in 1953, jointly with the Reserve Bank of India had constituted a committee for establishing facilities for the training of cooperative personnel. This committee was known as the Central Committee for Cooperative Training. Under the direction of this committee, the Cooperative College at Poona started a six-month long course for
senior officers of cooperative departments and institutions. Regional cooperative training centers were set up at Poona, Ranchi, Meerut, Madras and Indore for the training of intermediate level cooperative personnel. Eight special centers were also established for the training of 4000 block level cooperative officers required by national extension and community development project areas. It was also decided that the training classes for members and office bearers of cooperative organizations be organized by the All India Cooperative Union and State Cooperative Unions or Federations, as proposed by the Central Committee on Cooperative Training. The government agreed to provide subsidies for these classes.

The National Development Council in November 1958, recommended that the village societies should be federated into unions and should also become members of marketing society operating in their areas. The Council further agreed that cooperatives should be organized on the basis of the village community as the primary unit and the responsibility and initiative for social and economic development at the village level should be placed on the village cooperative and the village panchayat. Hence, the village cooperative and the panchayat were recognized as the primary agencies for implementing the community development programme meant for the improvement of rural life through the efforts of the people. This plan was considered to be the foundation of the programme for cooperative development and was accorded the highest priority. In spite of this re-organization the basic unit of the cooperative movement i.e. primary cooperative continued to remain weak.

It was paradoxical that whenever the question of strengthening of village cooperatives arose the solution was sought in their reorganization in large units, larger units and so on. As the process of re-organization progressed the societies went on becoming non-viable. So neither the re-organization of primary cooperatives into large-sized societies nor the increase in government contribution to their share capital was the remedy. The real remedy lay in their transforming into community institutions and each household joining the cooperative voluntarily and the cooperative in turn providing all the needs of the individuals and their families. In fact, without re-organization, the government should have, instead of increasing its contribution in the share capital, arranged for the supply of goods and services required by the members and the cooperatives should have been made responsible for raising their own funds.
by mobilizing savings and large amount of share capital from the members. The size of the cooperative was not the fundamental issue. The real issue was that of economic viability, social cohesion and mutuality of the cooperative. Given these, the size of the cooperative would itself be determined.

In September 1960 the National Development Council considered proposals regarding the organization of cooperatives on the basis of the village community as a primary unit, where villages were too small, the number of villages to be served by a cooperative could be increased in the interest of viability. However, such extension was to be subject to certain maximum limits and a distance of not more than 3 to 4 miles from the headquarter village.

Besides contributing to the share capital, the state governments also provided the management grant to the cooperatives which implemented the approved programs for strengthening, increase of membership etc. During this period a number of Committees and Working Groups were constituted to provide guidance to the government to modify its approach, policy contents and programs for the development of the cooperatives.

2.1.8 Cooperative Movement in India (Third Five Year Plan -1961-1966)

The Third plan laid emphasis on the organization of strong cooperatives in all economic activities, notably in agriculture and minor irrigation, small industry and processing, marketing, distribution, supplies, rural electrification, housing and construction and the provision of essential amenities for local community. By recognizing the importance of cooperatives the government adopted an approach which led to the use of cooperatives as a State Agency rather than an autonomous economic enterprise. The government appointed a Committee on Cooperative Law which formulated a Model Bill for the guidance of State Governments for amending their laws comprehensively. The object of the Model Bill was to provide a legal framework to (a) facilitate the implementation of the schemes of cooperative development and (b) simplify, rationalize and modernize the existing laws relating to cooperatives.
The model bill led to amendments in the State cooperative laws, but its impact was both positive and negative. On the positive side the State laws incorporated comprehensive provisions covering, almost all aspects of the cooperatives besides provisions relating to State aid. On the negative side the amendments introduced a number of provisions which were anti-democratic and against the autonomous character of cooperatives leading to state interference.

The National Development Council in 1958 observed that the existing cooperative laws were inhibiting the development of cooperatives as a people's movement. The Council was highly critical of the increased bureaucratization and official interference in the working of cooperatives. The Council, therefore, impressed upon the State governments the need for simplifying their laws and procedures to transform cooperatives into member based and member controlled institutions. It also emphasized reduction in powers of the Registrar of cooperative societies. Accordingly, a circular was issued by the Government of India in 1960 to all the States making following suggestions:-

i. To amend cooperative laws to enable the State government to devolve the powers of Registrar - cooperative societies, on the Federations in respect of the affiliated societies.

ii. To amend State cooperative laws for prescribing a time limit for registration, and

iii. To make provision for the audit of larger cooperatives by chartered accountant.

In 1963 the National Cooperative Development Corporation (NCDC) was established by an Act of Parliament under the Ministry of Agriculture for strengthening the cooperative activities. NCDC serves as a meeting ground for the cooperative leadership as well as Central and State Government organizations and other related bodies. It has emerged as a nodal agency for planning, initiating, coordinating, developing and financing of the nationwide programme of cooperative marketing, processing and storage of agricultural produce and supply of inputs to increase production in agricultural and allied sectors. The Corporation is also engaged in the
promotion of off-farm activities such as poultry, diary, fishery, handloom and programs for the uplift of Scheduled Castes/Tribes. The NCDC also gives loans and grants to State governments for financing primary and secondary level cooperatives and gives direct financial assistance to the national level and other societies having objects extending beyond one state.

The NCDC's promotional and development role is reflected in influencing the policies of central and State governments, preparation of five year and annual plans, extending consultancy support, providing training to upgrade the skills of cooperative personnel through its own training centers, convening conferences, meetings, seminars/workshops to facilitate exchange of information and review of the progress of programs.

In 1965 the Government of India appointed a committee known as Mirdha Committee to review the development of cooperative movement in all aspects. While assessing the aspects of the growth of cooperative movement, the Committee observed that most of the ills and negative tendencies in cooperatives had emerged on account of government policy of deliberate expansion of cooperatives of various segments of the economy. Consequently, the vested interests had entered in the management of cooperatives and this had also led to their politicization. The report of the Committee was examined in the conference of the State Ministers of Cooperation in 1969 which recommended stringent provisions in cooperative legislation to curb vested interests. In this process more restrictive provisions were introduced in the cooperative laws which further destroyed the autonomous and democratic character of cooperatives. Some of these are:

1. Compulsory amendment of bye-laws by the Registrar;
2. The power of the government to nominate Directors on the committee of management;
3. Powers of the government to veto/annul the resolution of cooperative societies.
4. Supersession / suspension of committee of management;
5. Automatic supersession of the Managing Committee of Cooperative Credit Societies/Banks;
vi. Restriction on terms of office bearers;

vii. Restriction on holding office in a number of cooperatives simultaneously;

viii. Compulsory amalgamation and division of cooperatives by Registrar

2.1.9. Cooperative Movement in India (Fourth Five Year Plan -1969-1974)

During this period a number of organizational developments took place: several national cooperative federations emerged, the National Cooperative Union of India was reorganized, a Central Institute was set up in Bombay in 1964 to impart training in business management to key personnel engaged in consumer cooperation. This Institute was merged in 1967 with the National Cooperative College and Research Institute thus leading to the establishment of Vaikunth Mehta National Institute of Cooperative Management, Pune. A decision was also taken to transfer the management of training centers to the cooperative unions both at the national and State levels. The NCUI set up a special committee called the National Committee for Cooperative Training for running the National Institute and the cooperative training colleges.

The progress of the cooperative movement in all regions and in all sectors was not uniform. One of the notable developments of this period was the organization of a network of consumer cooperatives in urban areas.

Another important development during this period was the setting up of the All India Rural Credit Review Committee (1970) by the Reserve Bank of India. The Committee felt that there was a need to enlarge the existing efforts so that the agricultural production did not suffer and therefore the Committee recommended a larger role for commercial banks in the provision of agricultural credit and a multi-agency approach to rural credit to plug the gaps in the rural credit system. The Committee also recommended a number of measures to reorganize and strengthen the cooperative credit structure as part of an integrated approach to multi-agency system. Some of the main recommendations of the Committee were regarding viability norms, rehabilitation of societies, setting up of the Small Farmers' Development Agency,
deepening of the investment credit and the creation of the Rural Electrification Corporation.

2.1.10 Cooperative Movement in India (Fifth Five Year Plan -1974-79)

With a view to strengthening the cooperative credit structure, provision was considerably enhanced for Agricultural Stabilization Fund, rehabilitation of weak Central Cooperative Banks and assistance to cooperative credit institutions in developing States. Sufficient provision was also made in the State sector to provide for strengthening of cooperative structure by organizing Farmers Service Societies and LAMPS in the tribal areas. Provisions were also enhanced for providing more loans for minor irrigation, land development and supply of inputs.

The impact of the restrictive provisions of cooperative laws reached its height in 1977 when mass supersession of the democratically elected management committees of cooperatives in 9 States was carried out on account of political changes in the government at the centre.

2.1.11 Cooperative Movement in India (Sixth Five Year Plan -1980-85)

The sixth plan focused attention on the following tasks:-

Strengthening of primary village societies so as to make them to effectively act as multipurpose units catering to the diverse needs of their members.

i. Re-examining the existing policies and procedures to ensure that the efforts of the cooperatives were more systematically directed towards improving the economic conditions of the poor in rural areas.

ii. Reorienting and consolidating the role of the cooperative federal agencies to enable them, through their constituent organizations, to lend effective support to rapidly diversifying and expanding agricultural sector, including horticulture, food processing, poultry, dairying, fishery, animal husbandry, sericulture etc. with credit, input supply, marketing and other services,
iii. Developing professional manpower to man managerial positions. It was noted that the federal organizations had developed a tendency to promote their own business interest at the cost of their constituents. Attention was, therefore, paid to develop a suitable system which will make available to the cooperatives, properly qualified and trained staff to handle their diverse activities. It was also felt that there was a need to revise the bye-laws of various types of cooperatives to ensure that such provisions are built into the bye-laws so as to eliminate the office seekers from the management committees of the societies. A committee, (known as the Sivaraman Committee) was also constituted to Review the Arrangements for Institutional Credit for Agriculture and Rural Development in 1981. This committee recommended the establishment of NABARD and toning up of the primary agricultural credit societies as multipurpose viable units.

2.1.12 Cooperative Movement in India (Seventh Five Year Plan -1985-1990)

During the seventh plan a major policy objective was to ensure a substantial increase in the flow of credit particularly for weaker sections of the society, for the less developed areas especially the north eastern region, for dry-land farming and for pulses and oilseeds development. It was emphasized that attention should be given to credit planning and monitoring in a coordinated manner at the State and district levels. It was also decided that the central cooperative banks, state cooperative banks and land development banks would be strengthened.

The Agricultural Credit Review Committee (Khusro Committee) had submitted its report in 1989 recommending a package of reforms on the following lines:-

i. Need for formulation of a national cooperative policy;
ii. Need for comprehensive cooperative legislation reforms;
iii. Role of federations in strengthening their constituents;
iv. Establishment of National Cooperative Bank of India to remove the systematic gap in the organizational structure of cooperative financing system;
v. Bringing more rural poor within the ambit of primary agricultural cooperatives; and
vi. Increased involvement of women in the membership, management and leadership positions in cooperatives.

2.1.13 Cooperative Movement in India (from 1991 and After)

The report of the Brahm Prakash Committee appointed by the Planning Commission of India, to prepare a Model Cooperative Bill to restore genuine character of cooperatives based on cooperative principles was submitted to the Planning Commission in 1991. The report was deliberated at a conference of State Cooperation Ministers and Registrars of Cooperative societies in 1992, which called upon the Government of India to amend the Multi-State Cooperative Societies Act so as to influence the State Governments to amend their Cooperative Laws. Some of the States enacted laws based on the model cooperative bill. The Government of India reformed Multi-State Cooperative Societies Act 1984 and enacted a new Act in 2002.

In the mean time in 1991 the Government of India embarked upon economic reforms by implementing a comprehensive package of deregulation of the economy through structural adjustment programme at macro level. The object was to transform the national economy from a closed one to an open, liberalized and globalized competitive market economy. This meant a gradual disengagement of the government from the economic and business activities and privatization of the public sector and expansion of the private sector. Another important feature of the reforms was the vision to encourage foreign direct involvement and multinational corporations for linking the Indian economy with the world economy. While the process of deregulation of private sector and restructuring of the public sector was given momentum through a number of legal and policy reforms, the deregulation and decontrol of cooperatives still remained very slow. There was, as a matter of fact, no mention of the cooperative sector in the policy statement made by the then Finance Minister in the Parliament. There was undoubtedly enormous pressure on cooperatives from (i) free, liberal and competitive market and (ii) restrictive cooperative legislation, blocking their march ahead.
The foregoing account of the policy initiatives taken for strengthening the cooperative movement shows that genuine effort was not made to implement them to the desirable extent. Consequently, the reform initiatives have not been converted into concrete gains. In the context of liberalized and globalized economy the paradigms of cooperative business management have to be considerably changed and the cooperatives have to be transformed from state-supported into member based and member controlled organizations. This requires a close look at the strengths and weaknesses of the cooperatives. The most notable strengths of the Indian cooperatives are:

i. Wide coverage of Indian population (about 71% of the rural households are covered);

ii. A strong network of institutional framework comprising more than 500,000 cooperatives of different kinds with a membership of nearly 230 million;

iii. Commanding presence in credit and banking, fertilizer production and distribution, sugar production, dairy, agricultural marketing and housing; and

iv. Establishment of strong network of training and educational institutions.

Despite these strengths, there are various weaknesses which have failed them from emerging as autonomous and competitive member based enterprises. The chief weaknesses are:

i. Utter lack of professional management,

ii. Weak infrastructural facilities,

iii. Excessive control of the government,

iv. Slow pace of technology application,

v. Weak management information system, and

vi. High cost of management and transactions.

The issue of autonomy is the most important in so far as the meaningful development of cooperative services is concerned. This issue is directly connected with corporate governance of cooperatives. Corporate governance has three aspects: political, supervisory and regulatory. Politically, it means that the members should have the
right to elect their representatives for the management committee of their organization. Supervisory aspect is concerned with the accountability of professional executives, employed by the cooperatives to conduct efficiently the operations of the enterprise. The regulatory aspect relates to the legal provisions that regulate the cooperative organizations to ensure the preservation and protection of their functions set out in their bye-laws.

In view of the above the important aspects of autonomy of cooperatives therefore mean:

i. Visibility and quality of self-regulation;

ii. Freedom from external control and interference;

iii. Compliance of regulatory framework;

iv. Laying down of a code of conduct for elected directors;

v. Accountability linkages within the management;

vi. Empowerment of the Board to formulate policy in accordance with the will of the General Body;

vii. Empowerment of the CEO to formulate and implement operational plan of action in conformity with the policy decisions of the Board; (viii) accountability of federations to their constituent members; (ix) functioning of the entire organizational structure as one entity reflecting thereby cooperative solidarity; and (x) continuous communication with the members for obtaining their feedback.

In the wake of the globalization of the economy the issue of competitiveness of cooperatives has become more important. Theoretically, competitiveness implies ability of a business enterprise to acquire commanding market share for its products in competition with its counterparts. The private sector develops its competitiveness through a series of measures which attract greater patronage of the customers and ensures its growth and sustainability. Competitiveness denotes business efficiency which is manifested in the performance of the enterprise. For being business efficient an enterprise has to have a flexible operational structure which can quickly adjust with the market changes; as well as have an effective and speedy decision making process and system. This would ensure patronage of customers and nearness of the
enterprise with the community, leading to a larger market share of its products and ultimately its sustainability in the long run. In the case of cooperative organizations, competitiveness includes the dispensation of cost effective services to the members, technology up-gradation and development of new products through the adoption of sophisticated production processes and addressing the issues concerning the whole community to the entire satisfaction of their members, and also an active role of professional managers and cooperative leaders.

So, autonomy and competitiveness are inter-related issues. They are complimentary as well as supplementary to each other. Legislation and policy reforms are undoubtedly important in this direction, but the more important requirement of the day is that the cooperatives should strengthen their own capabilities by employing professional managers who can enhance entrepreneurial capabilities of the cooperatives at the micro level. This would also require education in the principles and philosophy of the cooperative movement of the members and cooperative leaders. Viewed in this context, the following steps would be required to translate the vision for competitive and autonomous cooperatives into reality:

(a) For developing autonomy of cooperatives.

1. Introducing a system of intensive education for the members, employees and leaders of the cooperative enterprises.

2. Evolving a system of continuance communication among the members of the cooperatives.

3. Inculcation of cooperative values and development of knowledge of the principles of cooperation as well as of the provisions of cooperative laws and bye-taws,

4. Conducting the business of the cooperatives in accordance with the needs and requirements of the members based on cooperative values and principles.

5. Creating parity between the rights and obligations of members, as well as cooperatives particularly relating to the business transactions.

6. Formulating a code of business based on cooperative values and principles.
vii. implementing government programmes on the basis of clearly defined terms and conditions,
viii. Redemption of government capital, if any.

(b) For building up competitiveness of cooperatives.

i. Formulating a clear vision and mission about the objectives and requirements of the community.

ii. Assessing continuously the needs of the community *vis-a-vis* market changes.

iii. Establishing workable balance between members' requirements and expectations and market situation.

iv. Introducing need based business planning.

v. Establishing and clearly defining key indicators for evaluating performance of an enterprise, for reviewing its business.

vi. Raising its own resources from members and financial institutions rather than from the government.

vii. Introducing appropriate technology for effective decision making and developing sophisticated production processes.

viii. Focusing on quality of the products and their cost effectiveness.

ix. Evolving specific market strategy keeping in view the position of the competitors.

x. Formulating and implementing appropriate HR policies for continuous development of professional management capable of responding to the emerging needs of the market.