CHAPTER II

CO-OPERATION PROSPECTS AND RETROSPECTS

Meaning of Co-operation

Co-operation means living, thinking, and working together. In its technical sense it denotes a special method of doing business. In its former sense, co-operation existed even before the existence of man. In fact, co-operation is much older than the man himself.

Co-operation is thus, older than the co-operative movement. The co-operative movement is only one example of human co-operation among others, e.g., joint-stock companies, cartels, trusts etc.

A universal meaning and theory of co-operation or co-operative society, is therefore, difficult to find. This subject is still one of the most heated topics of discussion in national and international co-operative circles.

Definition of Co-operation

According to Herrick, it is "the act of poor persons voluntarily united for utilising reciprocally their own forces, resources or both, under their mutual management to their common profit or loss." According to Holyoake, Co-operation is "a voluntary concert with equitable participation and control among all concerned in any enterprise." ¹

¹ Hajela, T.N. op.cit. p.3-5.
Principles of Co-operation

Some of these principles as follows:

I) Universality

This principle has two aspects:

i) It emphasises that entrance into the society is free from coercion and a member can withdraw under reasonable terms if he has fulfilled all his obligations to the society.

ii) The universal character of membership can and must be maintained, provided that the members fulfil all the qualifications and always act in the interest of the society and other co-members.

The chief aim of adhering to the principle of selective membership is to bring into the fold of the society only those people whose economic interests are common with those of the society and who have legal ability and knowledge to conduct business with the society.

II) Democratic control

This principle implies that the affairs of the society must be administered by the members themselves. In this respect all the members are treated equal. Differences of wealth, caste, colour or creed do not affect the status or position of individual members, so far as the organisation and management of the society are concerned.
The democratic control of all co-operative organisations can be judged from (a) the constitution of the society and (b) equal voting and rights to the members.

The democratic control can be effected only when the members possess the requisite ability and have the willingness to exercise this control.

The principle of education is basic co-operative principles and economic and commercial problems is gaining importance day by day.

III) Self-help and mutual help

Thus, co-operation means self-help as well as mutual help. The benefit arising out of the collective effort is available to all members. Co-operation provides strength to economically weak people and "each for all and all for each" is the guiding principle of all co-operative activities.

IV) Unity or political and religious neutrality

Unity is the fundamental force behind all co-operative organisations. It is above all other beliefs, faiths and convictions. It is a primary objective of the movement. It was only to preserve this unity that the Rochdalers adopted the principle of neutrality in all matters, religious, or political. Individual members may belong to any party or group but the co-operative society, as a body corporate, will and should not align itself with any particular group.
V) The principle of liberty

It is implied that a member will remain loyal to the organisation because the motto is "each for all and all for each" and hence there is no need of compulsion. Desire for freedom is universal to all individuals.

VI) Limited interest on capital and patronage rebate

The co-operatives have limited the maximum rate which varies from 4 to 5% to 8% p.a. from country to country. The payment of interest on share capital is not of much importance when the share holding is small. But in case individual share holding being large, the interest payment on share capital may be quite significant.

Some societies have adopted a policy of stable rate of interest or patronage refund on year to year basis. This means that the profit is determined in advance and is a part of the cost of production. Some societies have created a special equalisation fund to be used for payment of interest or patronage refunds in lean years.

VII) The principle of publicity

These are the principles which govern the co-operative movement anywhere in the world.
According to Nicholson, "publicity is, in every European country, the first requirement and everything must be laid open to the public view".

In our own country we find that the movement has been diversified to such an extent and the expansion has taken place so indiscriminately that it can hardly be called as a people's movement. ²

**International co-operative Alliance**

The ICA, for promoting inter-co-operative trade at the inter-national level established the International Co-operative wholesale Society (ICWS) at Ghent in Sept 1924. Its chief object is to promote inter-trading between wholesale societies, particularly, in commodities which the wholesalers themselves manufacture, without impairing the possibilities of joint international buying. The three main groups of commodities were:

(i) Animal fats and meat, veterinary products and oils.
(ii) Colonial and tropical products. fresh and canned fruits and fish.
(iii) Cereals, pulses and sugar.

The commodity most generally imported by European Wholesale Societies was coffee. The problems arising out of the great diversity of tastes between the countries, are being studied carefully.

² Ibid. p. 8-12
For the benefit of trading co-operative the ICA through its Regional Offices has been publishing trade information under the title of "co-operative Trade Directory". It contains detailed information about trade contracts and commodity lists.

In this connection the activities of the Regional Office, South East Asia deserve mention. The Regional Office has been engaged in the following activities for helping the co-operatives to have an access to foreign markets.

(i) It takes steps for the promotion and extension of trade between the co-operative organisations of the developing countries and the advanced movements, e.g., conducting trade surveys.

(ii) It collects and disseminates information relating to trade among co-operative trading organisations.

(iii) It prepares documentation on trade.

(iv) It disseminates information and literature relating to successful co-operative organisation in the field of foreign trade.

(v) It renders advice and help in establishing trade contacts.

(vi) It renders help in bringing about trade negotiations.
(vii) It explores possibilities of having the co-operative movement represented on appropriate trade missions, councils, marketing boards, delegations to conferences and an international fair.

(viii) It maintains contact with international bodies interested in trade, commodity marketing boards and councils, national export promotion bodies etc.

(ix) It keeps track of international trade agreements and

(x) Disseminates information on training programmes offered by international and other agencies in the field of trade.

Thus, through the efforts of the ICA and its Regional Offices, the inter-cooperative trade has increased appreciably during recent years. Not only that, it has also made possible the combination of trade and technical assistance.

A significant example of such a combination of aid and trade is the agreement between the Thai agricultural co-operatives and the Japanese agricultural co-operatives in regard to the production and supply of maize. The constitution of the ICA Agricultural Sub-committee as a working Group on Trade promotion is a successful step in this direction. This sub-committee was established in 1967 for South East Asia Region.
Its aims are

i) To promote the exchange of information relating to agricultural co-operation among the national movements of the region.

ii) To increase the opportunities for Co-operation among co-operatives in the field of agricultural production and

iii) To promote agricultural co-operation in the region.

In the field of international co-operative trade, the sub-committee acts as a clearing house of information on matters relating to agricultural co-operation. It explores the possibilities of the development of import and export trade in different commodities among the co-operatives at the international level. It collects statistics relating to agricultural co-operatives in the Region and circulates to the member organisations.³

Co-operation a balancing factor between the public and private sectors

Among these divergent economic systems, co-operation acts as a balancing factor. It is said to be "a double-edged axe, which strikes at the same time at the dead abstractions of the socialistic state and at the sterility of individualism". Co-operation has been defined by H.Calvert as "a form of organisation in which persons voluntarily associate together as human beings

³ Ibid. p. 227-228
on the basis of equality for the promotion of the economic interests of themselves". Co-operation is thus, similar to other forms of enterprise in so far as it also aims at doing business and efficiently too. It also combines in itself the good points of capitalistic as well as socialistic forms of organisations.

A Co-operative society enables the members to put in their best to attain a higher standard of living for themselves without, in any way, exploiting others. It honours human values and also provides incentives.

In a private enterprise, profit earning is the motive and surplus goes to the organisers and capitalists. In a socialistic concern, on the other hand, the individual is neglected and surplus is utilised for the welfare of the society as a whole.

In a co-operative set-up none of the factors of production is allowed to get an upper hand over the other. Surplus, if any, is distributed among all the factors of production in fair proportion.

In a co-operative, society we find a complete amalgamation of interests of workers and their employers and of consumers and producers. This harmonisation of interests leads to mutually beneficial policies. In private enterprises, the institutions close their doors to new members after their business gets going. A co-operative society, on the other hand, keeps its doors always open to qualified persons. Co-operatives are in a better position than
public and private enterprises, to listen to their customers and find out their needs.

A private enterprise is a combination of those who subscribe capital. The shareholder's voice in the management of private enterprise is, thus, exactly proportionate to the capital subscribed by them. A public enterprise, on the other hand, has no shareholders at all and the state, which is the sole owner, tends to follow totalitarian policies. In a co-operative, capital does not play a deciding role in management. Each member, irrespective of his investment in business, possesses an equal voice in management.

Co-operation is thus, something more than an ordinary business. Darling called it, "morality applied to business". It believes in capitalising character and in framing and developing moral values side by side with the pursuit of business. It is a method of making self-help effective and practicable. The balancing role of co-operation in the Indian economy was described in the first five years plan thus.

"If planning is to avoid excessive centralisation and bureaucratic control and is, at the same time to hold in check self centred acquisitive instinct of the individual producer or trader working for himself, the encouragement of co-operative enterprises ¹ must be given the highest priority".

In recent years, co-operatives have begun to enter the field of medium and large industries like co-operative spinning, solvent extraction plants, and fertilizers etc. Structurally, during the last decade or so, the principle of federalism, characteristics of co-operatives has been extended to the national level for various sectors of the movement. These national level co-operative organisations could impart necessary dynamism and leadership in their respective fields of activity.

In order to link credit with marketing about 3370 primary marketing societies have been organised at various mandi centres on June 30th, 1977. The co-operative movement has also pervaded into other non-credit sectors. The development of consumers stores and industrial co-operatives has also been significant. Thus, the co-operative movement in India has reached a stage when it can be reckoned as an important factor in the economic, social and political development of India.

Achievement

The various achievement and benefits of the co-operative movement in India can be summarised under the following four heads:
(1) Economic benefits,
(2) Social and moral benefits,
(3) Educational benefits, and
(4) Political benefits etc.
(1) Economic benefits

The co-operative movement has been rendering invaluable services for the economic betterment and well being of the rural and urban population. In certain parts of the country like Maharastra the growth of co-operatives has brought about unique prosperity to villagers. They are no longer in debt, they have a little surplus and think in terms of re-investment. They want to give better education to their children and provide better cloths to them. They believe utilising their surplus in schemes is likely to add to their prosperity. Some of the co-operatives like the sugar factories are owned and managed entirely by peasants and are on democratic lines.

Some of the economic benefits provided by the co-operative movement can be stated as under:

(1) Cheap credit

One of the most important achievement of the co-operative movement in India has been that it is providing cheap credit to the agriculturists. Before the advent of the movement the agriculturists had to pay exhorbitant rate of interest on loans from the money lenders. But now, the money lenders have been forced to reduce their rate of interest on account of the competition of the primary credit societies.
(2) Rescuing the peasantry from the clutches of money lenders

Another achievement of the co-operative movement in India is that it has liberated millions of our farmers from the clutches of the money lenders. According to latest estimates about 40% of the credit needs of the farmers are being met by co-operatives. Thus the Indian farmer is not entirely at the mercy of the money lenders.

(3) Better use of credit

One of the most important defects of private credit in India has been that the same was given for unproductive purpose and often encouraged the farmer to use it for unproductive purposes such as marriages, death-feast, etc. The co-operative institutions are educating the farmers and are now largely providing credit for productive purposes. This has substantially increased the income of the farmers in rural areas.

(4) Popularising modern inputs

The co-operative credit societies are playing a very useful role in popularizing the use of various modern inputs such as fertilizers, improved seeds, new implements, pesticides, etc., and are thus realising the ideal of "better farming, better business and better living". Thus, the co-operatives are helping in their own way in bringing about, "Green Revolution" in our country.
(5) Better prices to Farmers

Efficient and orderly marketing is acknowledged as one of the essential conditions of rural prosperity. The co-operative marketing societies are doing a useful job in improving the system of agricultural marketing and thus are helping the agriculturists to enjoy the fruits of their toil and trouble. The farmers are getting better prices for their produce from these societies.

(6) Rural entrepreneurship

Co-operative processing societies are increasingly becoming a wide base for rural industrialisation. It has been noticed that wherever co-operative processing has been done, the rural economy gets immediately transformed and immensely strengthened. Large surpluses for further investment and larger inputs make for technical and economic advance in both agriculture and industry.

The co-operative sugar factories are increasingly becoming focal points for development of agro-industrial complexes in the rural areas.

(7) Marketing facilities to industrial workers

Industrial co-operatives are serving a social objective by safeguarding the interest of the poorer section of the society against exploitative trends and are assisting in the diffusion and dispersal of wealth.
Industrial co-operatives have also helped in creation of employment opportunities, increase in production and productivity and competitive capability, acceleration in the rate of capital formation, etc.

Industrial co-operative societies are providing marketing facilities for the products of their members. Many of them have opened sales depots at important places. Establishment of more than 500 common facility workshops and setting up of nearly 100 co-operative estates have expanded the horizon of co-operative industrial activity.

(8) Distribution of essential commodities

During the period of emergencies and scarcities when the traders start charging high prices, the consumer co-operative stores have rendered yeoman service to the public by distributing essential items at reasonable prices. These consumer stores and super bazaars have compelled the retailers to reduce their prices, and are increasingly becoming very popular with the public. The prices charged by these stores have generally been lower than the market. Thus, they are helping the Government in holding the price-line.

(9) Encouragement of Thrift and Savings

The co-operative credit societies are also trying to encourage the habit of thrift and savings among the members. Recently at some places a system of collection of compulsory thrift deposits at 5% of the borrowing each year has
been undertaken. It is hoped that in view of the rise in the income of the agriculturists, these societies would be able to attract more deposits. In the urban areas, the urban co-operative banks have succeeded to a very large extent in mobilising savings of the urban people.

(10) Developing banking habits

Co-operation has done great good in spreading the banking habit and popularising cheques and demand drafts. The contribution of co-operative banks in taking banking facilities to the smaller places can be seen from the fact that these banks accounted for as many as 791 out of the 1135 bank offices in places with a population of less than 5000. In as many as 1113 centres, there were offices of state or central co-operative banks, but none of the commercial or urban co-operative banks, of these 1064 centres had a population of less than 10000.

Social and Moral benefits

The co-operative movement has also brought about a number of social and moral benefits to the people:

(1) It is teaching people to live harmoniously on a community basis. It also teaches the people the lesson of unity, brotherhood and corporate feeling.
(2) Litigation, extravagance, drunkenness and gambling are all at a discount in a good co-operative society and in their place will be found self-help and mutual help.

(3) As co-operation relies on the character of the members, so it fosters a sense of responsibility, integrity and diligence.

(4) Co-operatives are helping to lessen the social tensions existing in the society.

(5) The co-operative movement is bringing about socio-economic changes in the society without resorting to undesirable methods and violence.

**Educational benefits**

Generally the members of the co-operative societies are better informed and have a broader outlook. A good co-operative society is a continuous source of education for the members e.g., a credit society teaches the proper use of money, a consumer co-operative trains the members in what to buy and the true value of goods, a marketing society educates the producers in better methods of production, so also with other types of co-operations. Educational benefits provided by the movement are as under:
(1) The co-operative societies provide valuable training in business methods and accounting.

(2) The societies create in the members a desire for education.

(3) Some co-operative institutions run schools for providing general and technical education.

Political benefits

(1) Co-operation is educating people in self-government as the running of the co-operative institutions gives them sufficient training in running democratic institution.

(2) The co-operative movement is playing an useful role as a most suitable medium for the democratisation of economic planning. It provides the local unit which can fulfil the dual function of educating public opinion in favour of a plan and of executing it. By making the plan popular, it will better create the atmosphere needed for its execution voluntarily.

(3) It is encouraging local leadership to take up and shoulder the important task of rebuilding new India.
(4) Co-operative institutions are also helping to produce better citizens who are honest, dedicated and who are prepared to make sacrifices.

(5) A co-operative society teaches respect for elected leaders and

(6) It seeks to develop responsibility in all the people.

Small men not benefited

The co-operative movement was introduced to ameliorate the downtrodden strata of society. It was expected to uplift the small farmer, the small artisan and the small man of very limited means. The movement has certainly failed in achieving this objective.

A survey conducted by the RBI has further confirmed the fact that the credit facilities provided by the credit societies are largely reaped by the well-to-do farmers. This is quite evident from the fact that 13.3% of the total households, each of whose assets were valued at Rs.10000 or over, got 55% of the share of loans given by co-operatives, while 53% of the total households with assets of less than Rs.2500 got only 10.8% of such finance. A survey conducted by the Programme Evaluation Organisation also revealed that 15% of the co-operative credit had gone to those having 5 acres, or less, 39% to those having 5 to 10 acres and 46% to still large landholders.
Even in states like Maharashtra according to some of the surveys, co-operative credit, which is provided on a massive scale, mainly reached wealthy and middle class farmers. Recently, the estimates committee of Maharashtra has pointed out that the co-operative movement was dominated by economically and politically influential persons.

The domination of the societies by the village moneylenders and landlords and other vested interests has made the small farmers unenthusiastic about joining the co-operative societies. In efficient management besides group and caste rivalries also kept the small farmers away from the co-operatives. Many of them have preferred to remain outside the co-operative fold as the loans provided by the societies are woefully inadequate and, at any rate, they are afraid of incurring the displeasure of the moneylenders their perennial source of borrowings.

Causes for Poor Performance

For the Poor Performance of the co-operative movement a number of causes have been cited by various committees, and commissions and research scholars. The Co-operative Planning Committee stated that the main causes for the limited progress were:

(1) The laissez-faire policy of the state,
(2) The illiteracy of the people,
The movement did not take the life of the individual as a whole,

Small-size of the primary unit,

Undue reliance on honorary service and

Inefficiency in management.

Briefly the following are the main weaknesses and causes for the poor performance of the co-operative movement in India:

(1) Nonviable units

One of the most important reasons for the poor performance of the co-operative movement in India has been that most of the primary societies in India are weaklings and nonviable units. The viability surveys conducted in Bihar, sometime back disclosed that not one of the nearly 20000 societies could be retained in the then existing size, while in Utter Pradesh about 30000 out of 46000 were reported to be nonviable units. Even now there are few societies in India which can satisfy the minimum criterion of viability laid down.

All India Rural Credit review committee has stated, "A large number of primary agricultural credit societies are neither viable nor even potentially viable and must be regarded as inadequate and unsatisfactory agencies for dispensing production oriented credit".
(2) Dormant Societies

One of the disturbing features in the co-operative movement in India is that quite a large number of societies are dormant. On the whole about 25% of the co-operative societies are defunct or dead. In case of industrial co-operatives about 1/3rd societies are dormant. These dormant societies are societies only on the registration books of the co-operative movement. No serious arrangements have yet been made for liquidating the "hopeless societies" and ratifying and reorganising the tottering ones. These societies are virtually an appendage of the Co-operative Department and are increasingly becoming centres of passive co-operators and unscrupulous self-seekers.

(3) Uneven Growth

The co-operative movement has not developed on a uniform basis in the country. There is a marked regional disparity and unevenness in growth. This is quite evident from the fact that while in states like Maharastra, Tamil Nadu and Punjab more than 60 to 70% of the rural population has come within the co-operative fold, in states like Bihar, West Bengal, Assam and Orissa the coverage is below 20%. Even with in the same state there are inter-regional disparities. Thus, in Andhra Pradesh the movement is better developed in coastal districts than in Telengana or Rayalaseema.

In Orissa, there is a similar difference between coastal districts and the Western districts. A little over 60% of the loans advanced by the credit
societies is accounted for only by five states and the credit movement has been extremely weak in the eastern regions of the country. Four states accounted for 2/3rd of the value of agricultural produce handled by the marketing co-operative societies in the country.

(4) Absence of self-help

One of the basic objectives with which the co-operative movement was introduced in India was to encourage the habit of thrift and savings amongst the members. In India, unfortunately the co-operative societies have not succeeded even on a modest scale to tap the savings of the rural masses. This is amply demonstrated by the fact that the average deposit per member was as low as Rs.17, while, in Bihar it was Rs.2 per member. Even the central co-operative banks and the apex banks have not been able to attract sufficient deposits from the general public. No doubt there has been some increase in the deposits of the institutions, but, by and large, such deposits have come to them in the ordinary course rather than deposits mobilised as a result of a positive programme to augment their resources. Self-help and self-reliance which are the chief characteristics of the co-operative movement in the west are conspicuous by their absence in India.

(5) Dependence on External help

Another weakness of the co-operative movement is that, in spite of its being more than 65 years old, it continues to lean on official support in every
respect. This dependence on government help is in fact increasing year after year with the result that co-operation has remained more or less a departmental activity. Under existing conditions it is largely true that the co-operative movement cannot flourish without external help from the Government and the Reserve Bank of India. These special socio-economic functions assigned to them would also justify a certain amount of feather-bedding in the initial stages. But if it is to substantiate its claim to be a voluntary movement, it must be ready, sooner or later, to dispense with such help and stand on its own legs. But the movement in the country, far from dispensing with Government assistance, continues to lean more and more heavily on it with the result that co-operation has become more of a departmental activity. The agricultural credit societies have degenerated into a mere conduit pipe borrowing from central agencies and passing the same on to its members.

(6) Rising overdues

One of the most disquieting features of the co-operative movement in India is the incidence of increasing overdues. The rise in overdues is not restricted to a particular region. There is an unmistakable trend of rising overdues in almost all the states. In some of the states the position has reached such as an unsafe level that if the menace is not stemmed it would bring about the collapse of the whole movement. Even in a highly advanced state like Maharashtra over dues rose from 21% of the outstanding loans at the end of 1964-65 to 44% in 1968-69 at the primary level. If this can happen in Maharashtra, the state of affairs obtaining in other parts of the country can well
be imagined. And all this has happened when the agriculturist is basking under rising prices and state incentives. The alarmingly high overdues demonstrate the dangers of mere flooding of cheap credit to the farmers who lack the essential virtues of thrift, foresight and self-help. This also shows the imperative necessity of training in the use of credit before they are entrusted with it.

(7) Domination of vested interest

The most disturbing trend, however, is that the co-operative movement is increasingly slipping into the hands of politicians and vested interest. The leaders of the co-operative movement, by and large, are busy politicians, traders, moneylenders, and ex-jagirdars, many of whom are not genuinely inspired by the co-operative ideals. These interests regard the movement as a bubble in the whirlpool of their political activities.

The vested interests used the following methods to keep their hold on the co-operative movement:

(i) Restriction on admission of fresh members.
(ii) Avoiding the holding of general meetings for periodical election of office-bearers and for an open discussion.
(iii) Manipulating elections.
(iv) Employing near relations in the paid service of the society.
(v) Granting liberal loans to friends and relatives.
(vi) Non-recovery of overdues from friends and relatives and
(vii) General use of the machinery and paraphernalia of the society for personal glorification and benefit.

(8) Inefficient management

The working of co-operative institutions has suffered grievously on account of dearth of trained and qualified personnel. In fact most of the general ills from which these institutions have been known to be suffering, such as, lack of proper accounting, irregularities of loans, maintenance of records, are largely due to lack of trained, qualified and well remunerated staff. Some of the co-operative institutions have come to grief on account of gross mismanagement by the board of directors and employees. Only a few years back in Uttar Pradesh the Government had to issue orders superseding the management of the district banks of Aligarh, Moradabad, Hordoi, Farrukhabad, Faizabad, and Kanpur following audit objections and irregularities. It is worthwhile mentioning that during 1967-68 as many as 1770 managing committees were under suspension, while 8,23,366 disputes were referred to arbitration.

In Delhi alone, on an average, at least 10 embezzlement cases involving co-operative societies are registered with the police every year and some 30 societies are superseded by the department for irregularities in their normal business.
Despite the training programme during the past several years, the quality of the personnel in the co-operative institutions has yet to attain uniformly high standard of efficiency. Direct recruitment in co-operative institutions is not based on merit or competitive test candidates are largely selected on the basis of favouritism. No wonder, there are complaints of graft, inefficiency, corruption, accumulation of overdues, fake entries of realisation and advances, lack of owned funds, diversion of funds and so on.

One is constrained to comment that the sound and healthy growth of the co-operative movement in India has been retarded due to gross mismanagement and misuse of co-operatives.

(9) Target hunting and hurried expansion

The qualitative aspect of the co-operative movement has suffered on account of target hunting which was being followed by the co-operative department of most states in the matter of organising societies. The target hunting led to the formation of a large number of societies in an indecent haste. This policy of hurried expansion led to a large number of still births, a high early mortality and a large number of derelicts.

Officers dealing with co-operatives have become so target-minded that they seemed almost to regard the peasants as made for targets and not targets for the peasants. They conveniently forget the human factor which predominates in the co-operative philosophy.
The subordinate officials have been found to be fantastically target-minded as they are told by superior officers that their promotion would depend on achieving the targets. No body is prepared to listen to the difficulties of the rank and file. The inevitable result has been that these subordinate officers resort to highly uncooperative and unfair practices to formally achieve the targets. Tempting and alluring promises are made to people to form and join the co-operative societies. These officers paint a very rosy picture of the movement before the rural folk and no body bothers to explain the difficulties and practical problems that the members are likely to encounter in the working of the societies. Thus, most of the societies have been organised by raising exaggerated hopes in the shape of liberal grants and subsidies and as the same have not been received, it has led to frustration and subsequent disintegration of many a society.

(10) Uninspiring leadership

Perhaps one single factor responsible for the poor performance of the co-operative movement in the country is the lack of dedicated leadership. In the past many parts of the country were fortunate in securing the service of selfless and of zealous co-operators, who devoted every once of their energy to propagate the mission of co-operation without honour or honorarium. It is a lamentable yet true fact that the co-operative movement has largely failed to attract men of integrity and missionary zeal to catch the imagination of people. To get the services of persons who are prepared to dedicate themselves to the cause of this socio-economic movement is a real problem in many parts of the country.
(11) Lack of congenial atmosphere

A socio-economic movement like co-operation cannot succeed unless it finds a congenial atmosphere for its growth. In India the socio-economic atmosphere has been hardly conducive for the growth and development of the co-operative movement. Having formed a co-operative society, the rural producer is left to face the powerful competition of private credit, private trade, and private organisation of industry, all of them deriving strength and support from commercial banks and wholesale trade. In such an uncongenial atmosphere the rural producer is expected to organise himself co-operatively for the promotion of the processing, marketing etc., of his harvest. Added to all this is the cleavage of interests in the village itself, with the bigger landlord, the village moneylender, the village trader etc., on one side and medium and small cultivator on the other village leadership, vesting as it does in the former, usually operates partly for the advantage of the more powerful economic interests and partly in alignment with the social institution of caste, the village leadership thus constituted and biased makes itself felt in every institution in the village including, of course, the co-operative society.

(12) Lack of supervision, audit and inspection

Prompt audits, effective supervision and inspection are very necessary for the success of the co-operative movement. It has, however, been observed, that many a society are neither properly audited nor effectively supervised. The auditors and supervisors are so overloaded with work that they fail to do their
job efficiently and promptly. Many societies have come to grief because of lack of follow-up by these officials. A study conducted by the Vaikunth Mehta National Institute indicated that lack of adequate and competent staff, absence of unitary control over the supervisory staff and lack of co-ordination among the extension officers, bank inspectors and inspectors of co-operative department acted as inhibiting factors in making supervision effective.

The ineffective supervision has led to a number of abuses in the working of co-operative institutions. This has also led to a good deal of loans given by societies being misused.

(13) Officially sponsored

The co-operative movement has not achieved the desired degree of success as the same is officially sponsored. The non-official co-operators have always contended that the movement has largely failed on account of rigid official control. The soul of the co-operative movement according to them has been "suffocated" by the stifling interference of the officials. These co-operators do not consider the Registrar of the co-operative societies as a "friend, philosopher, and guide", but look at him as "Inspector-General of co-operative police", incharge of erring and suspect bands of non-official co-operators. The late prime Minister Nehru desired that co-operative movement should be free from Government control and depreciated the dependence of the co-operative movement on officialdom. It has been rightly stated that a state controlled co-operative movement, which would be unable to
instil the co-operative spirit into the masses, is like a creed without belief and might even become a body without a soul.

(14) Fragmentary approach

According to Dr. Gyan Chand, the failure of the co-operative movement is largely due to co-operation having been conceived and applied in a fragmentary way in its relation to the economy in general and rural economy in particular. Rural credit, marketing, small industries, better farming, production and distribution of milk, animal husbandry, irrigation, processing etc., are all activities in which co-operative basis has been attempted. But the co-operative agencies have not understood or kept in mind the organic inter-relations of these activities or their bearing on one another or on the rural economy as a whole. The outcome has been disappointing and frustrating, and inspite of considerable advance in quantitative terms in the last decades, co-operative has contributed very little to the development or transformation of the economy.

(15) Inconsistency in policies and Half-hearted implementation

The development of the co-operative movement has been hampered due to lack of consistency in policies and rigidity of approach. The most controversial aspects on which there has been a good deal of acrimonious debate and divergence of opinion, are state partnership, formation of large-sized societies and co-operative farming. It is indeed regrettable that the alternative scheme for the formation of large-sized societies for revitalising our
rural credit movement was rejected, without giving it a trial or serious consideration. The rejection was certainly not based on any investigation or fact finding by any committee.

The accepted policies have not been implemented whole-heartedly. There has been a wide gap between what is accepted as policy for the country as a whole and the specific decision taken at the state level. Likewise, there is divergence between what is laid down as policy at the state level and what actually happens in the field.

The officials and non-officials of the states recent policies thrust on them by the centre without their consultation. What is strongly objected to is the shift in policy, made not in consultation with the states and in the light of their experience, but because of the set view of some persons in the centre and the planning commission. This lack of co-ordination between the centre and the state has been partly responsible for the non-implementation of many a well conceived scheme.

(16) Democratic Decentralisation

The introduction of democratic decentralisation in some of the state like Rajasthan has, contrary to expectations, not proved conducive to the development of the co-operative movement. It has been noticed that neither the panchas nor sanpanches, not even Vikas Adhikaris show sufficient interest in the development of the movement. Most of the Panchayat samitis have become
hot beds of politics and the officials and non-officials of panchayatraj institutions are reported to be interfering with the working of the co-operative organisation.

(17) Defective loan policies and procedure

Defective loan policies and procedure being followed by co-operative institutions have also stood in the way of speedier growth of the movement. The credit institutions have, for instance, not formulated their loan policies and procedures in accordance with the much published crop loan system which forms an important part of the integrated scheme of rural credit. There are no proper timings for either disbursement or recovery of loans, the entire loan is let out in lump sum once in a year instead of being paid in instalment, loans in kind are not generally given and loans are still given on the security of landed property and not on anticipated crop. There is also an inordinate delay on the part of the lending agencies in actual disbursement of loans.

(18) Act of omission and commission of state Government

The co-operative movement has also suffered on account of acts of omission and commission of the State Government. The integrated scheme of rural credit envisaged major partnership in the co-operative institutions. Some of the states have not contributed liberally towards the paid-up-capital of these institutions. In the appointment of its nominees, the states have not been sufficiently careful as exjagirdars, money lender and politicians have been
nominated on the boards of management. These appointments have not proved to be in the best interest of the co-operative movement.

(19) Lack of knowledge of co-operative principles

One of the essential conditions for the success of the co-operative movement is that every member should have a knowledge of principles of co-operation, if this co-operation is to be real and not a sham. It is indeed distressing to note that even now very few members of the co-operative societies possess the requisite knowledge of the principles of co-operation. Many of them hardly realise that the strength of the society rests on the honesty, fair dealing and mutual trust of the members. Most of the members of co-operative societies do not take any interest in their affairs. It is notorious that their meetings are ill attended. Members exercise little restraint over their president and committee and hesitate to evict from office an incompetent or dishonest employee. The officeholders, on their part, dislike incurring unpopularity attendant on stringent action against defaulters. People join a co-operative society to get scarce things without much trouble, or to get things cheaper than they get in the free market, or to get cheap loan, or to secure any other special advantage.

In most cases members do not understand and appreciate the aims and objective of the co-operative movement. This lack of knowledge of co-operative principles has led to the belief among members that a co-operative society should be resorted to, to get special facilities and to be forgotten as
soon as that need is met. In such a situation members tend to be no more than "clients of conveniences". This has led to all kinds of undesirable things in the management of the society.

20) Co-operative Craft

The embezzlement in co-operative sector is increasing at a fast rate. In Punjab alone it had reached a staggering figure of Rs.109 crores by the end of 1975. The experience is much the same elsewhere in India. Along with the increase in the number and membership, defalcations, embezzlements and other improprieties have also increased. This is partly because the co-operative societies are mostly controlled by dominant local groups, often driving their strength frame caste alignments, possession of land and other property superior education and consequently, greater access to persons in authority, whether in the bureaucracy or in politics. The less privileged, whom the co-operatives are primarily to serve, are too weak to resist and eliminate graft.

Suggestions

1. Need for consolidation

The prime need of hour in the co-operative sector is to lay more and more emphasis on consolidation rather than expansion. The policy of indiscriminate expansion followed during the last two decades should be abandoned and all attention should be directed in consolidating the progress
already made. It has to be borne in mind that the policy of deliberately accelerating the pace of the movement is hardly in keeping with the spirit of co-operative philosophy. A co-operative society is a human institution and it cannot grow as an exotic plant grafted from the top. A society should have its germs in the will of the people and must grow out of their felt needs. The success of the movement, after all cannot be assessed on its numerical strength. In the ultimate analysis it is the quality and not number that is the acid test of its success. It is suggested that in our zeal for statistical achievement, the essence be not sacrificed.

In the co-operative sector, targets should not be considered as an end in themselves but as a means towards an end and hence they should be "respected but not venerated". Instead of harping on the targets, it would be highly desirable if more energy is denoted to the important task of structural reforms, training of personnel and warding off the vested interests.

The co-operative movement has been permeating into newer fields. The success or failure of the first of the new societies should be a matter of crucial significance. If these societies fail, they would leave very unhealthy traits and would discredit the whole movement. If they succeed, they would provide fresh stimulus to the movement. It would be better if a small group of good and sound societies is formed which may be worthy of emulation for others. Slow and steady development of the co-operative sector should be the sound strategy during the fourth plan period.
2. Reorganisation and Revitalisation

All dormant, stagnant and moribund societies, which cannot be revived, should be liquidated. This planning for revitalisation of co-operative societies should be comprehensive as well as realistic and purposive with the objectives of making them an effective alternative to the existing private agencies.

The revitalisation of credit structure will, in no small measure, contribute to strengthening of the resource position of the co-operative institutions, thus reducing their chronic dependence on official subsidies and on borrowings from the Reserve Bank.

3. Elimination of vested interests

If the co-operative movement is to develop on sound lines, state governments should take immediate steps to curb the growth of vested interests in the movement.

The conference of Chief Minister and State Ministers of co-operation held at Madras in June 1968 had recommended a number of measures for curbing the growth of vested interests such as:

i. Exclusion of moneylenders, traders and other middleman from the membership of the co-operative by statute.
ii. Open membership in the primary societies,

iii. Reservation of seats on the Board of Management to small farmers and members of weaker sections,

iv. Restrictions on holding office for more than two terms in the same institution and also on holding office simultaneously in more than two institutions.

v. Regulation of the loans of office-bearers,

vi. Regular election by an independent authority,

vii. Adequate arrangement for auditing by the department,

viii. Creation of cadres of trained personnel,

ix. Rules for recruitment of staff and

x. Education and training of staff.

4. Need for Dedicated Leadership

The co-operative movement is in urgent need of a strong and disinterested local leadership with a sturdy sense of self reliance and possessed
of unimpeachable integrity, not only in money matters but also in the use of powers. It is necessary to ensure that extraneous forces, political or otherwise, are not allowed to influence the working of the co-operatives. The services of honest, and responsive element should be mobilised to lift the movement from the morass into which it has remained bogged down for too long. "The ivory tower leadership should be a banned commodity".

(5) Efficient management

As the success of the co-operative as a business venture will depend upon efficient management, proper arrangement should be made for the same. Efficient management cannot be achieved without providing certain safeguards to the management, as has been done in most of the commercial and other economic organisations. With a view to enabling the management to function effectively, it is necessary to define the functions and powers of management in a very precise manner. There should be clear-cut division between the functions of the Board of Directors, Chief officers, line staff and subordinate officials. The board of directors lay down broad policies, but action within these policies should be the domain of the general manager. The latter should ensure that the policy and programme laid down by the board of directors are effectively carried out.

Efficient management of the sizeable business of the co-operatives, particularly in the fields of credit, marketing and processing and distribution of consumer articles call for high degree of professional competence, which can
be achieved only through formation of common cadres. Immediate steps should be taken for the implementation of common cadre scheme. Common cadres by themselves would go a long way in curing many of the ills of the co-operative movement and professionalisation of the executives can to a large extent immunise them from the pressures exerted by the vested interests.

6. Recovery of overdues

The effective functioning of the co-operative institutions depends on promptitude in the recovery of the loans. As the rising overdues are threatening the very existence of the co-operative movement, serious and sustained efforts should be made to realise them. No relaxation should be shown to those who are persistent and wilful defaulters and legal action should also be taken against them. Sound and satisfactory supervision by the central financing agencies would also go a long way in arresting the upward trends in the overdues. Positive steps should be taken to forge organic link between credit and marketing. Perhaps the most lasting solution to the problem of high overdues is the reorientation of loan policies of the co-operative on the basis of crop loan system, so that the whole programme of these units becomes production-oriented.

7. Co-operation among co-operatives

If the co-operative movement is to rise to its full stature, the several co-operative institutions must support each other. They must act as members of
a common united effort to realise the objectives and ideals of the movement as a whole. In other words, isolation in various activities of the co-operative organisation, which has been a serious limiting factor in the growth of co-operation should be ended.

8. 8. Effective supervision and audit

For effective working of the co-operative societies, it is highly imperative that there should be adequate arrangements for effective supervision, inspection and audit. The central financing agencies should be entrusted with the work of supervision of primary societies.

9. Better service to small farmers

The basic objective of the co-operative movement is to serve the small farmers and other weaker sections of the society. The co-operative credit societies should, therefore, reorient their loan policies and procedures so that they may increasingly serve the weaker sections of the society.

The All India Rural Credit Review Committee has recommended that the proportions of the norms of outlay for different crops, which is provided by way of co-operative credit according to scales of finance, be higher for small cultivators than for large cultivators and that the rate of interest on relatively large loans might be higher than on smaller ones. Greater facility in regard to payments should be extended to the small cultivator. If the resources available
to a particular society are inadequate to meet the requirement of all its members, attempts should be made to ensure that the needs of the small cultivators are adequately met on a priority basis. The long-term loans from land development banks to small cultivators should be so phased that the repaying programme is within their capacity.

The Government should continue to provide outright grants with a view to building up special bad debt reserve to cover possible risks involved in the financing of this stratum of the cultivating population. It is strongly submitted that the benefits of co-operative membership and credit should not be denied to any cultivator, how so ever small, unless his lack of credit-worthiness can be positively established.

10. Reorientation of policies and procedure

If the co-operative institutions, particularly the credit ones, are to serve efficiently, they should reorient their loan policies and procedure. Early steps should be taken to introduce the crop loan system in areas where this has been done and to implement it in all its aspects wherever it has been introduced partially. The principle of seasonality should be observed by co-operatives in lending and recovery of production credit. The loan procedure should designed that the borrower gets the loan at the time when he needs it and with the least difficulty. Procedural formalities should be kept to the minimum, consistent with the need to ensure that more credit is not provided than needed and that the funds are used for productive purpose. In the context of the increasing
requirements of credit for undertaking cultivation on the basis of modern technology, the fixation of individual maximum credit limits and the limits for surety loans on a rational basis is an urgent necessity. Immediate steps should be taken to raise the individual maximum credit limits where they are very low at present.

11. Mobilisation of savings

The co-operative societies should lay the greatest emphasis on deposit mobilisation. A good deal of propaganda and persuasion should be resorted to, to educating the people about the importance of thrift and savings. If the co-operative structure is to play its part in meeting the increasing credit needs of a large number of cultivators, it is imperative that a regular programme of collection of thrift deposits is followed by the primary societies. Greater attention should be given for mobilisation of larger deposit by the central banks by opening of adequate number of branches, adoption of rational policy regarding interest rates and providing special incentives and services to the depositors.

12. Emphasis on owned funds

At present the co-operative societies largely depend on external finance for working capital. As this is not a healthy sign for them, it is highly desirable that co-operative societies should strengthen their owned funds by asking
members to take more shares individual members should be required to contribute to the society, share capital in certain proportion to their borrowings. Efforts should be made to persuade members to take additional shares at the time of repayment of their loans, soon after the harvest. This is necessary because share capital as a means of promoting thrift in the co-operative movement at the base has a more satisfactory record and holds out better promise for the future.

13. Consistency in policies and their effective implementation

If the co-operative movement is to become an instrument of economic planning, it is highly imperative that policies once formulated should be adhered to for sometime so as to acquire sufficient experience. They should not be discarded in the middle of their implementation with the proverbial risk of changing horses mid-stream. The movement cannot afford the luxury of confused doctrines.

Some of the scheme like co-operative farming have not achieved the desired results as the same were being implemented by officials who had no faith in it. There are innumerable impediments-economic, political, social, organisational and financial, which will have to be surmounted before some of the scheme of co-operative development can make real progress. The task becomes more gigantic if the officials entrusted with the scheme have no faith in the job they set out to do. Let the schemes and plans of co-operative development be implemented by officers who have a sense of dedication and absolute faith in these schemes.
14. Co-operative education and training

For the co-operative movement to be self-reliant and to develop on sound and healthy lines, utmost emphasis should be accorded to the programme of the co-operative education and training.

The All India Rural Credit Review Committee has recommended that co-operative leadership at all levels has to be educated on the need, from the point of view of efficient operation of co-operative institutions, for a clear demarcation of the respective responsibilities between the elected board of management and the paid executives and other managerial personnel and the related need for the later to be given a degree of autonomy to take various individual decisions in conformity with the broad policies laid down by the board.

15. Integration of co-operative credit

As recommended by a committee of the Reserve Bank of India (1976), the central co-operative banks and land development banks, forming the short and long-term wings of the co-operative credit structure, should be integrated at all levels. This committee has recommended that this integration should be effected in a phased manner, beginning with the primary level in the area of jurisdiction of identified primary land development banks where the primary agricultural credit societies have been reorganised.  

---

5 Dr. Mathur, B.S., op. cit. p.615-641.