CHAPTER - II

HISTORICAL BACKGROUND OF CO-OPERATIVE MOVEMENT IN INDIA
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The Co-operative movement has taken big strides in India. But it is remain to see, whether the original purpose of movement viz., the amelioration of the weaker sections section has been achieved. The Co-operative movement, which sets itself the objective of strengthening the position of economically weaker groups in society, can make a real contribution to the progress of the national community, Great attention is being paid in the post-World War to ways and means of speeding up economic progress. Since in our country, like many other countries of the world, the idea of Co-operation is also looked upon as one of the means that contribute to the end, there is a growing need to get to know as to what has been achieved by adopting this from of collaboration. Over 76 years ago, the idea of Co-operation took shape in our country, resulting in the passing of the Co-operative Credit Societies Act of 1904. Its main object was to combat indebtedness and provide credit to agriculturists.

THE PROGRESS

As years rolled on, many amendments were made to the original Act resulting in Co-operation playing a major role in supplying not only agricultural credit but also inputs like seeds, fertilizers, pesticides, storage, marketing and processing, dairy, poultry, fishery, sericulture,
whole sale and retail trade, consumer distribution, rural and small scale industry including handloom, housing, urban credit and training of Co-operative personnel etc.

The Co-operative movement has left almost no sector of the economy untouched. To be short, the modern Co-operative society is a business organization with limited Co-operative spirit. Inspite of the fact that the Co-operative movement has lived over three-fourth of a century in our country, it cannot be said that the growth is of an outstanding nature. None-the less the development in all branches or in all states cannot be claimed to be unique. Bane of adhocism in Co-operative policies and programmes has stood in the way effective and sound growth of the Co-operative movement.

The study of the growth and progress of Co-operative movement can be possible by analysing the historical background of the movement in India. Here a historical analysis of the Co-operative movement is made by diving the period into different phases. The first phase being the period prior to enactment of the first Co-operative Societies. Act of 1904. The second phase is between 1904 to the beginning of the plan period and the third phase includes the growth of Co-operative during the plan period.

Co-operative movement was lunched in India, with the passing of Co-operative societies Act in the year 1904. Under this Act, Co-operative thrift and credit societies were registered. Since the Co-operative societies were established to emeliorate the economic
condition of formers by way of providing. Cheap and adequate finance
to them and saving them from the clutches of money lenders, who
used to exploit them on account keeping of their illiteracy by way of
charging usurious rated of interest and also by indulging in various
other malpractices in account keeping. Later on, in the year 1912, new
Co-operative societies Act was passed, which permitted registration of
non-credit societies also. Thos, with the widening of the sphere of the
Co-operative societies Act, necessity for establishing Co-operative
Banks not only, provide credit to the needy Co-operative organisation,
but also accept deposits of such Co-operative, which have surplus
resources, at remunerative rate of interest, thus these bank serve as
balancing centres for the affiliated Co-operative institutions.

DEFINITIONS OF CO-OPERATIONS

Co-operation has been defined by different authorities in
different ways. Some of these definitions are given below.

George Jacob Holyoke, a famous British co-operator observes,
“Co-operation touches no man's fortune; seeks to plunder; causes no
disturbance in society; gives no trouble to statesman; it entires into no
secret association; it needs no trade unions to protect its interest; it
contemplates no violence; it accepts no gift; nor ask for any favour, it
keeps no terms with the idle and it will break no faith with the

Dr.C.R. Fay from socio-economic point of view describes Co-
operative society as, “An association for the purpose of joint trading,
originating among the weak and conducted always in an unselfish spirit,
on such terms that all who are prepared to assume the duties of
membership share in its rewards, in proportion to the degree in which
they make use of their association".

Mr. Calvert defines it as "a form of organisation wherein the
persons voluntarily associate together as human beings on a basis of
equality for the promotion of economic interests of themselves".

Mr. Talmaki has defined a Co-operative society as "An
association of the weak who gather together for a common economic
need and try to lift themselves and other out of weakness into strength,
through business organisation, conducted for the common benefit of all
who join it".

Prof. Lambert observes Co-Operations as "An enterprise formed
and directed by an association of users, applying with in itself the rules
of democracy and directly intended to serve both its own members and
the community as a whole".

Prof. V.L. Mehta describes, "Co-operation is only one aspect of a
vast movement which promolers voluntary association having common
needs who combine together for the achievement of common
economic ends".

From the above definitions it is clear that a Co-operative society
is a voluntary and democratic association of persons with common
economic need, working on the basis of equality, self-help and mutual-help.

Co-operation has been defined in various laws of different countries in the context of the circumstances in which the movement took birth in their respective countries. Some of these definitions are as follows:

The Indian Co-operative Societies Act, 1912 did not define Co-operation. Section 4(c) of the Act simply says “a Co-operative society is a society which has its objects the promotion of the economic interests of its members in accordance with Co-operative principles”. The Act has not defined the word ‘Co-operation’ or ‘Co-operative principles’. Most probably it is because of the elasticity of the scope of the concept.

The Swiss definition is: A Co-operative society is one, constituted by a varying number of person organised co-operately which aims principally at contributing towards the economic prosperity of its members by joint action. The formation of Co-operative societies with capital fixed in advance is prohibited.

According to Japanese Law of 1921, a Co-operative society is an association having legal existence, formed by persons of modest means in order to promote and develop, according to the principles of mutually exercised by the members of their occupations and for the improvement of their economic conditions.
CO-OPERATIVE PRINCIPLES

Co-operative principles are a set of rules which govern the life and activity of Co-operative enterprise. In the words of International Co-operative Alliance, "the principles are those practices which are essential, i.e., absolutely indispensable to the achievement of the Co-operative movements' purpose". Co-operative principle is the way of organising and conducting the Co-operative activity which is inherent and indispensable corollary of the ideal or the objective of the operative movement.

Co-operative principles have been formulated basing on experience gained by the pioneers of Co-operation. Initially, the Rochdale Pioneers of England framed the principles basing on their experience on consumer Co-operative store. Popularly it is known as 'Rochdale Principles'. The principles had been clearly formulated and most of them were adopted by Co-operatives in other countries. To protect the farmers from the clutches of the money lenders, Von Raiffeisen of Germany formulated certain principles. However, for the first time in 1937, the CIA laid down certain principles which were applicable to all types of Co-operatives. These principles were once again reformulated by the ICA in 1966 under the Chairmanship of Prof. Karve of India. It was laid down the following basic principles of Co-operation and are being followed by almost all the countries in the world.
1. Voluntary and open membership.

2. Democratic control.

3. Limited Interest on Capital.

4. Equitable distribution of surplus.


7. Co-operation among Co-operatives.

1. Voluntary and Open Membership

The important characteristic of a Co-operative enterprise is its voluntary form. Essentially it is a voluntary association. The element of compulsion or coercion is absent. As stated by ICA, 'membership a Co-operative society shall be voluntary and available without artificial restriction or any social, political or religious discrimination to all persons who can make use of its services and are willing to accept the responsibilities of membership'. The voluntary membership signifies that a person can join in a Co-operative society on his own will and he is free to withdraw himself, whenever he like so.

Open membership implies that there shall be no restriction on the admission of members. It seeks homogeneous interest of members who are coming together for mutual benefits. It implies; there shall be no social, political or religious discrimination against persons who wish to join and membership shall be available to all persons who need and make use of the society’s services.
The principle of voluntary and open membership is, however, undergoing changes and a little amount of compulsion is imposed for smooth working and speedy result of the movement in accordance with national planning. The flood gate of open membership cannot be kept open for the persons of vested interest. For example, a money-lender cannot take the support of open membership to join primary credit society. His interest is detrimental to the interest of the members of the society. Similarly, a trader cannot be taken as a member into a primary marketing society. A person may be compelled to join in or withdraw from a Co-operative society for greater interest. For example, if a small minority of individuals, even after persuasion, refuse to join a Co-operative irrigation society, may be compelled to join for the greater interest of the community. In such a situation their refusal to join cannot be treated as justified and compulsion in such a situation is tolerable.

2. Democratic Control

Conceputally, Co-operative movement is characterised by democratic control. Democratic control the cardinal principles of Co-operation, will have its healthy influence in the political and economic styles in a democratic country like India. It has been rightly pointed out that "if democracy is to be attained, it will come about not by voting, not by taxing, not through revolution but by putting into operation, the Co-operative democracy first on a small scale and then ever increasing and expending.

The main purpose of a Co-operative society is to promote and protect the interest of its members. Nobody else can protect the
interest of a person in a better way than he himself. Hence, on of the
important principles of Co-operation is that the administration of the
society is to be carried on democratically by the members themselves.
According to the ICA, “Co-operative societies are democratic
organisations. Their affairs shall be administered by persons elected or
appointed in a manner agreed by the members and accountable to
them. Members of primary societies shall enjoy equal rights of voting
(one man, one vote) and participation in decisions affecting their
societies. In other societies the administration shall be conducted on a
democratic basis in a suitable form”. Therefore, the principle of
democratic control implies that:

(a) The general body meeting of the members of a Co-operative
society is the supreme authority in conducting affairs of the society.

(b) Each member have only one vote irrespective of the number
of shares held by him;

(c) majority rule prevails and the affairs of the society are
controlled by the board of management in accordance with the
democratically expressed will of the members;

(d) The board of management (directors) is elected in a manner
agreed by the members. The board of management is held
accountable to the members.

3. Limited Interest on Capital : (No profit motive)

It is an unique principle, where capital is treated as subsidiary,
the prime and ultimate objective being service to its members. The ICA
state, "The economic results, arising out of the operations of a society belong to the members of that society and shall be distributed in such a manner as would avoid one member gaining at the expense of others". Capital is a factor of production and like any other factor it is also entitled to receive a fair rate of return. In Co-operatives capital cannot dominate. Simply it serves in return for a limited interest, the service being the supreme.

In the beginning the Rochdale Pioneers considered that it would be ideal if no interest was paid on share capital. But later, basing on their experience, they had to pay interest to raise the necessary capital maximisation of profit in Co-operatives like any other type of business organisation is considered to be inconsistent with the principles of Co-operation.

The motive of earning profit is absent in Co-operatives, because it is that profit motive may mar the fundamental of Co-operation i.e., service. In the words of Mr.H.Calvert, "Co-operation recognises that capital is entitled to a fair interest, but it refuses to admit any other right attaching to its possession or claimed by its, owner, and more specially the claim to a controlling voice in the enterprise. If from the activities of the association there results any divisible surplus, this must be divided amongst those from whom it has been derived in proportion to their contribution to it. As a matter of ordinary business caution, it is usual to allow the contingencies that may not happen. Goods are sold for more than is necessary to cover expenses; the producer may be given less than is crop has brought; in all these cases, the resulting surplus is not
regarded as ordinary business profit but an over charge which belong
is to those from who it has been derived and to whom it should be
returned”.

4. Equitable Distribution of Surplus

According to the principle, in a Co-operative society, while
serving to its members profit may be a by-product. But profit motive is
bad. Such profit or surplus earned by a Co-operative society shall be
distributed according to the decision of members. Limited interest
(dividend) on capital can be paid to the members in proportion to their
transactions with the society after making provision of development of
business and social welfare activities. In a joint stock company the
surplus is distributed on the basis of the number of shares held by the
share holders, irrespective of their transactions with the company. But
in a Co-operative organisation, the surplus is distributed on the basis of
the members' dealing with a society.

It is not obligatory to pay dividend out of surplus. Members may
decide to use the surplus for the benefit of the society, or common
services like member education or welfare of the general public. But if
they decide to distribute among themselves, it should be distributed in
proportion to their transactions with the society. In the words of
Mr.Weeraman, “The economic results of a Co-operative society’s
operation belong to the members of that society and any surplus
arising out of the society’s business shall be so distributed that no
member shall gain at the expense of any other person and the
distribution may be done in accordance with a decision of the members
made in that respect by allocation for development of business of that Co-operative; provision for common services and/or distribution among the members in proportion to their transaction with the society but not exceeding the proportion of the total divisible surplus to the total transactions of the society".

Members are entitled for profit, logically it follows that they are obliged to bear the losses, if any. Usually, such losses are adjusted from Reserve Fund. Indirectly the loss is borne by the members in proportion to their participation in the transaction of the society.

5. Self-help and Mutual-help

Co-operative enterprise is meant for those who are economically weak. In order to promote their economic interest and strengthen themselves, they associate together, form a Co-operative society, pool their resources and work together for mutual benefit. The benefit which comes out of collective efforts are shared by all the participants.

Moreover, individually a weak person may not be able to withstand the exploitations of the stronger. But a large number of people of his standard having common economic need, when work together combinely, by pooling their resources can strengthen their position and establish themselves in a suitable place in the society. The sole purpose behind Co-operation is the common action for common good. In the words of Prof. "Self-help through mutual-help is the essence of Co-operation. Without this, there is no genuine Co-operation.
6. Co-operative Education

According to the ICA, "All Co-operative societies shall make provision for the education of their members, officers and employees and the general public, in the principles and techniques of Co-operation both economic and democratic'. The ICA committee on Co-operative Principles of 1966 has attached great importance to the principle of Co-operative education. It has discussed this principle in three aspects. They are:

(a) Education for members: Co-operation is generally meant for poor and illiterates. They know very little about principles and practice or Co-operation. With a view to achieve their active participation in the working of the society a continuous system of education need be evolved and members be kept informed of the decisions and activities of the society. Co-operative societies, therefore, spend sufficient money on education of members.

(b) Education for office bearers: Office bearers or board of directors are the elected representatives of the members who actually manage the day to day affairs of the society. They must acquire the technical skill and thorough knowledge on Co-operation to conduct the business of the society on Co-operative line. Education for office bearers of Co-operative societies need be advanced, technical and through, both in the lines of Co-operation and business.

(c) Education for prospective co-operators: In order to bring more and more people into the Co-operative fold the general public
need be informed about the principles, aims, achievements and future plans of the Co-operative movement.

Co-operation among Co-operatives

This is comparatively a new principle added to the list. This principle is developed to increase the strength of the Co-operatives and to enhance the inter-dependence among various Co-operatives.

7. **The Principle “Concern for community”**. This principle has been added by the Third commission.

Co-operative are organisations that exist primarily for the benefit of their members. Because of this strong association with members often in a specific geographic space, Co-operatives are also often closely tied to their communities. They have a special responsibility to ensure that the development of their communities—economically, socially, and culturally—is sustained. They have a responsibility to work steadily for the environmental protection of those communities. It is up to the members, though, to decide how deep and in what specific ways a Co-operative should make its contribution to their community. It is not however a set of responsibilities that members can avoid accepting.

The following principles of Co-operation are the latest and approved by the ICA’s third principles commission:

1st Principle: Voluntary and Open Membership

Co-operative are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities to membership, without gender, social political, or religious discrimination.
2nd Principle: Democratic Member control

Co-operative are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representative are accountable to the membership. In primary Co-operatives members have equal voting rights (one member, one vote), and Co-operatives at other levels are also organized in a democratic manner.

3rd Principle: Member Economic Participation

Members contribute equitably to, and democratically control, the capital of their Co-operative. At lease part of the assets is usually the common property of the Co-operative. Members usually receive limited compensation. If any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing the Co-operative, possibly by setting up reserves part of which at least would be indivisible; benefiting members in proportion to their transactions with the Co-operative; and supporting other activities approved by the membership.

4th Principle: Autonomy and Independence

Co-operative are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their Co-operative autonomy.
5th Principle: Education, Training and Information

Co-operatives provide education and training for their members, elected representatives, managers and employees so they can contribute effectively to the development of their Co-operatives. They inform the general public particularly young people and opinion leaders-about the nature and benefits of cooperation.

6th Principle: Cooperation among Co-operatives

Co-operatives serve their members most effectively and strengthen the Co-operative movement by working together through local, national, regional and international structures.

7th Principle: Concern for Community

Co-operatives work for the sustainable development of their communities through policies approved by their members.

CO-OPERATIVE MOVEMENT PRIOR TO 1904

The origin of Co-operative can indeed be traced to the times when prehistoric men decided to relinquish their living in isolation from each other and form into groups, societies, and later civilisations. However, it was only about two centuries ago that Co-operative become a subject of wide-spread interest and came to be recognised as a socioeconomic movement of significance. It was the disturbed situations in the political and economic spheres of the European life which gave rise to Co-operative as a movement. The founders of the movement include Robert Owens, Saint Simson, Proudhon and Louis Blanc. The credit for starting the first set of Co-operative institutions goes to England under Owens initiative. The first model society was
founded by the Rochdale Pioneers, a group of weavers. The policies and organisation they adopted have survived to this day have become the principles of theoretical Co-operation.

When the movement spread to Europe, particularly to Germany it got the full sanction of the Government. The Raiffieson societies, that started in Germany are of special significance for Indian Co-operative Movement. The acceptance of Co-operation by communist Russia after 1917 is a landmark in the history of the movement. The great depressions and the second world war that broke out added impetus to the process of Co-operative movement. The post second World War period saw a rapid growth of the movement throughout the world. The various countries resorted to Co-operation basing upon their own reasons and the success achieved them are also at different levels. Co-operation for USA was a novel way of organisation for USSR ,it was part of the policy of collectivisation , for Japan it was a tool to bridge the gap of imbalance between town and city , for is real it was part of the plan for nation -building , for Sweden it was the perfect way of retailing and so on.

Co-operation’s is not new to India. It has been known and practiced in India since time immemorial. In ancient India it took four principal forms; Kula, Grama, Sreni and Jati. “Historically speaking ‘Kula’ was the first form of Co-operative activity that merged in Indian society.......... It was both a political and socio-economic organisation in which Kinsmen, friends and relative worked Co-operatively to
promote their economic, social and political interests. With the expansion and stabilisation of society, the aspects of economic and social Co-operation gradually narrowed to the limits of 'Joint family'; which has survived to be present day”. Under this system the land is owned and cultivated in common while all adults members have to share the duties of the family live under one roof and expenses are met out of the income of the joint property.

"Co-operation at the level 'Grama' emerged after 'Kula' become a stabilised unit. The 'Grama Sabha' was a Co-operative organisation which undertook works for the economic and social progress of the village and looked after the improvement and maintenance of village lands, pastures, roads, highways, paths, common gardens and grass and .......... Artisans and cultivators often combined for purpose of Co-operative working in their respective fields. The members jointly undertook by using and selling or obtaining equipments, tools, seeds, and other items of production. "The 'Sreni' is a later development which emerged in the post-vedic era. It was a Co-operative and economic organisation of artisans, industrial and handicraft workers, merchants, traders, bankers, agriculturists, house-builders, workers in construction job and building contractors. 'Sreni' worked not only as a banker and merchant guilds but also as charitable institutions". Co-operation at the level of 'Jati' was mostly for social purposes as education, charity and relief work, but when a particular occupation, craft or trade became associated with a particular case, the system
evolved a pattern in which Co-operation became an important aspect of the economic activities of the community.

Unlike European countries, Co-operation as an official movement was introduced in India as a state policy in 1904, when Co-operative Societies Act 1904 was passed. It was "A turning point in economics and social history" as the measure was hailed by Henry Wolf and "the way from poverty to plenty". During the last 90 years the movement has passed through many ups and downs.

The movement during the period from 1904 to 1951 may be studied by dividing it into the following stages:

THE FIRST STAGE OF THE MOVEMENT (1904-1912)

The Act of 1904 provided impetus for organisation of primary credit societies and stress was laid on the promotion of agricultural credit. By 1912, 8187 societies, with a membership over 4 lakh and working capital of Rs. 3357.7 lakh were organised. One of the special features of these societies was that the Government was the primemover of the movement. But the credit was generally market by insufficiency and delay. Recoveries were far from satisfactory and loan system was defective. Mr.C.S. Campbell, then the Registrar of Co-operative Societies Bombay and correctly point out that The lazy Secretary of a dull society will collect and pay out again to the same persons by a book transaction. The worst of the system is, lump on another day; in the interval, a guest comes, cow dies, a child is born,
school fees fall due, but the society is found unable to accommodate, the Sahukar can and does”.

Some non-officials also started taking interest in the movement during the period.

THE SECOND STAGE OF THE MOVEMENT (1912-1919)

The defects of 1904 Act were remedied in 1912 when another Co-operative Societies Act enacted. The important changes brought by the new Act were as follows:

1. The Act of 1904 confined Co-operative activities to primary credit societies only. The new Act enable the registration of non-credit societies also, so as to ensure all-round progress of the movement and the economy.

2. The new Act enabled the registration of central societies.

3. Instead of classifying the societies into rural and urban areas, the new Act, classified on the basis of their liability.

4. The new Act made provision for distribution of profit to protect the interest of the investors.

During the period, there was a rapid growth not only in the number of Co-operative credit societies but also in non-agricultural credit societies and in their membership. Of course, the development was not uniform in all the provinces. The growth was rapid in Madras, Bombay, Punjab and West Bengal compared to other states. The non-credit Co-operative societies were also formed in the field like milk.
supply, sale of produce, cattle insurance, retailing agricultural implements and common necessities. In 1914 the Government appointed Edward Maclagn to suggest improvement. The report was submitted in 1915, mode proposal for development of the movement. The report advised to stop nasty organisation of societies, stressed the moral side of the movement. In 1919 there 28,000 societies. The period between 1904 may be taken as the period of Initial efforts and Planning."5

THE THIRD STAGE OF THE MOVEMENT (1919-1929)

With the introduction of Reforms Act of 1919, after the end of first world war, Co-operation became a provincial subject and was kept incharge of a Provincial Minister. This Act gave the option of retaining or modifying the existing Act of 1912 to the Provincial Governments. Some provinces passed their own Provincial Acts, in Bombay in 1925 followed by Madras in 1932 and Bihar and, Orissa in 1935 and Bengal in 1941. The rapid growth of the movement between 1919 and 1929 is described by Mr. Ramds Pantulu as the "Period of Unplanned Expansion"6

During this period of the progress of the Co-operative movement was examined by the Royal Commission on Agriculture, the Central and Provincial Banking Enquiry Committees and others. They made valuable contributions to Co-operative thought and practice. The Royal Commission referring to the role of Co-operatives commented that "these are the best hopes of rural India" and Indian Central Banking Enquiry Committee treated: the Co-operative movement inspite of
imperfections and of unavoidable setbacks deserves every possible assistance from every quarters, because there is no better instrument for raising the level of agriculturists of the country than the Co-operative efforts.

THE FOURTH STAGE OF THE MOVEMENT (1929-1939)

The great depressions of 1930 gave a tremendous setback to the Co-operative activity. The fall in prices of agricultural goods threatened the existence of some societies and disturbed the economic stability of others. There was a serious contraction of Co-operative contraction of Co-operative credit. The main cause of failure of the Co-operative movement was the lack of the requisite education and of adequate supervision and guidance, as pointed out by the Royal Commission. And further the commission had remarked that "If Co-operative fails there will fail the best hoped of rural India". During the period of stress and strains, rectification and rehabilitation rather than expansion became the chief aim of the Co-operative departments.

A significant event of this period was the establishment of the Reserve Bank of Indian in 1935 and its Agricultural Credit Department which was given the duty of studying various problems relating to the agricultural credit. The period was considered to be the Period of Consolidation and Reorganisation.

THE FIFTH STAGE OF THE MOVEMENT (1939-1947)

From 1939 onwards prices began to rise as the second world war had a significant impact on the trends in the Co-operative
movement in the country. As a result of high prices, most of the overdues, which had accumulated during the period of depression were cleared off. Due to the imposition of controls on the distribution of commodities, consumer Co-operatives began to be organised all over the country. There was a marked growth of marketing societies also. Then the Co-operative movement which was almost entirely a credit movement so far started diversifying its activities. An important landmark of this period was the setting up of the Co-operative Planning Committee under the Chairmanship of Sri R.G. Sareiya who had suggested that "the supply of credit touched only one aspect of life of a cultivator, the activities of the primary societies should be so extended as to cover the whole of his life". This period was treated to be the Period of Recovery.

**CO-OPERATION IN THE INDEPENDENT INDIA**

The most important event in the history of the Co-operative movement in India since independence was the appointment of Rural Credit Survey Committee by the Reserve Bank of India in 1951. In its report submitted in 1954, it revealed that in the field of rural credit, inspite of half a century Co-operative effort, the private agencies still reigned supreme and institutional agencies for credit played only an insignificant part. The Co-operatives supplied only 3.5 per cent of the total borrowings of the agriculturists. That is, too, this little credit reached only the wealthy members who own credit worthy securities.

The committee recommended on integrated scheme of rural credit which includes state partnership, creation of special funds with
the Reserve Bank of India known as National Agricultural Credit (long-term operation) Fund. National Agricultural Credit (stabilisation) Fund and National Agricultural Credit (Relief and guarantee) Fund, establishment of large-size credit societies, linking of credit with marketing, training of Co-operative personnel and effective supervision and audit. These recommendations were made the basis for the second five year plan.

**FIRST PLAN (1951-56)**

In the first plan 'Co-operation' was recognised as an "instrument of planned economic action in democracy". The first plan observed "as it is the purpose of the plan to change the economy of the country from an individualistic to a socially regulated and Co-operative basis, its success should be judged among other things, by the extent to which it is implemented through Co-operative organisation". The progress of the Co-operative movement during the First Plan is given in the Table.

**TABLE NO - 2.1**

**PROGRESS OF THE CO-OPERATIVE MOVEMENT**

**DURING THE FIRST PLAN**

<table>
<thead>
<tr>
<th>Particulars</th>
<th>1950-51</th>
<th>1955-56</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of Primary Agricultural Credit societies</td>
<td>1,15,462</td>
<td>1,59,939</td>
</tr>
<tr>
<td>Membership (in lakhs)</td>
<td>51.54</td>
<td>77.91</td>
</tr>
<tr>
<td>Percentage of rural population served</td>
<td>10.30</td>
<td>15.60</td>
</tr>
<tr>
<td>Loans issued (Rs. in crores)</td>
<td>22.90</td>
<td>50.16</td>
</tr>
<tr>
<td>Average working capital per society (Rs.)</td>
<td>3547</td>
<td>4946</td>
</tr>
<tr>
<td>Percentage of overdues to outstanding</td>
<td>21.00</td>
<td>25.00</td>
</tr>
</tbody>
</table>
SECOND PLAN (1956-1961)

The second plan was based on the recommendations of the All India Rural Credit Survey Committee. The reserve Bank of India Act was amended with a view of improving the facilities of rural credit. In the amendment, provision was made for creation of special funds, as recommended by the Committee. The National Co-operative Development and Warehousing Board was established and side by side, State Warehousing Corporation were set-up in all the states. The imperial Bank of India was converted into the State Bank of India in 1955 and it opened a number of branches. In the Second Plan special attention was paid to the marketing and processing Co-operatives and credit Co-operatives. The progress of the Co-operative movement during the Second Plan is given in the Table.

TABLE NO - 2.2
PROCESS OF THE CO-OPERATIVE MOVEMENT DURING THE SECOND PLAN

<table>
<thead>
<tr>
<th>Particulars</th>
<th>1950-51</th>
<th>1955-56</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of societies (in lakhs)</td>
<td>2.40</td>
<td>3.32</td>
</tr>
<tr>
<td>Membership of Primary Societies (in lakhs)</td>
<td>176</td>
<td>342</td>
</tr>
<tr>
<td>Percentage of rural population covered</td>
<td>12</td>
<td>24</td>
</tr>
<tr>
<td>Loans advanced by Primary Societies (Rs. in crores)</td>
<td>50</td>
<td>203</td>
</tr>
<tr>
<td>Average working capital per society (Rs.)</td>
<td>4945</td>
<td>12913</td>
</tr>
<tr>
<td>Average deposit per society (Rs.)</td>
<td>441</td>
<td>668</td>
</tr>
</tbody>
</table>
During this period total number of all types of societies increased from 2.4 lakhs to 3.32 lakhs. During this plan 18,000 primary marketing societies were setup; the number of Co-operative sugar factories increased from 3 to 30; 390 processing units were established and an intensive programme for Co-operative training was implemented. During the second plan, a number of committees and working groups reported on the working of various aspects of the Co-operative movement. The Committee on Co-operative credit under the Chairmanship of Shri V.L. Mehta made very valuable recommendation for the development of credit movement. The study team of Co-operative training made suggestions for development of Co-operative training and education. The Committee on consumer Co-operatives made various approaches towards the development of Consumer Co-operation.

THIRD PLAN (1961-1966)

During the third plan also Co-operative movement was accorded a crucial role in implementing the schemes of economic development. It provide for Rs.80 crores for the development of Co-operation as against Rs.34 crores in Second Plan. By the end of the Plan Period, the primary agricultural credit societies covered about 89 per cent of villages. The total number of societies stood at 1,91,904. In this plan ample emphasis was laid on making the societies more viable than on their expansion. In spite of their revitalisation programme, majority of agricultural credit societies were weak. In this plan about 31 per cent of the societies worked at loss. In the field of Co-operative
processing 582 units were established. Besides, there were 78 Co-operative sugar factories, 155 cotton processing societies, 329 paddy husking societies, 142 rice mills, 298 oil crushing societies, 22 fruit and vegetable societies. The Co-operative stores increased from 7,058 in 1960-61 to 13,077 in 1965-66.

In the Third Plan, apart from credit and marketing Co-operatives, attention was paid to the formation of consumer and industrial Co-operatives. The progress of the movement during the plan period can be seen from the Table.

**TABLE-NO- 2.3**

**PROCESS OF THE CO-OPERATIVE MOVEMENT**

**DURING THE THIRD PLAN**

<table>
<thead>
<tr>
<th>Particulars</th>
<th>1950-51</th>
<th>1955-56</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of societies (in lakhs)</td>
<td>3.32</td>
<td>1.92</td>
</tr>
<tr>
<td>Membership of Agricultural Credit Societies (in million)</td>
<td>-</td>
<td>26.10</td>
</tr>
<tr>
<td>Percentage of rural population covered</td>
<td>24.00</td>
<td>33.00</td>
</tr>
<tr>
<td>Loans advanced (Rs. in crores)</td>
<td>203.00</td>
<td>504.91</td>
</tr>
<tr>
<td>Agricultural produce marketed by Co-operatives (Rs. in crores)</td>
<td>175.00</td>
<td>360.00</td>
</tr>
<tr>
<td>Distribution of consumer articles (Rs. in crores) by Co-operatives</td>
<td>56.70</td>
<td>398.10</td>
</tr>
</tbody>
</table>

*Source: Co-operation in India, C.B. Memoria and R.D. Saksena.*
FOURTH PLAN (1966-1971)

"Growth with stability" was the key-note of the Co-operative movement during the Fourth Plan period. Agricultural Co-operatives and Consumer Co-operatives occupied a central position in the Co-operative movement. The progress of the Co-operative movement during the Fourth Plan is given in the Table.

TABLE NO - 2.4
PROCESS OF THE CO-OPERATIVE MOVEMENT
DURING THE FOURTH PLAN

<table>
<thead>
<tr>
<th>Particulars</th>
<th>1950-51</th>
<th>1955-56</th>
</tr>
</thead>
<tbody>
<tr>
<td>Membership of Primary Credit Societies (in million)</td>
<td>26.10</td>
<td>30.00</td>
</tr>
<tr>
<td>Coverage of agricultural families (in %)</td>
<td>42.00</td>
<td>45.00</td>
</tr>
<tr>
<td>Loans advanced (Rs. in crores)</td>
<td>504.91</td>
<td>550.00</td>
</tr>
<tr>
<td>Fertilisers sold by Co operative (Rs. in crores)</td>
<td>80.10</td>
<td>260.00</td>
</tr>
<tr>
<td>Distribution of consumer articles by Co-operatives (Rs. in crores)</td>
<td>398.10</td>
<td>550.00</td>
</tr>
</tbody>
</table>

Source: Co-operation in India, C.B. Memoria and R.D. Seksena

The all India Rural Credit Review Committee was set-up by the Governor of the Reserve Bank of India for reviewing the supply of rural credit and intensive agricultural programme under the Chairmanship of Shri.B. Venkatappaih. The committee recommended for-

(i) The reorganisation of rural credit in the Reserve Bank of India, involving the establishment of an Agricultural Credit Board.
(ii) the setting-up of a Small Farmer's Development Agency in selected districts throughout the country.

(iii) the creation of Rural Electrification which among other things is to benefit under developed areas with agriculture potential.

(iv) the formulation of a more active and much bigger role for the Agriculture Refinance Corporation and the adoption of various measure for ensuring the timely and adequate flow of credit for agriculture through Co-operation and commercial banks.\(^8\) Almost all the recommendations of the committee were accepted and implemented by the Government during Fourth Five Year Plan period, and a considerable progress is marked in all spheres of Co-operative movements during this period.

**FIFTH PLAN**

The key-note of the Co-operative movement during the Fifth Plan was "growth with social justice". Hence more attention was given to consolidate and strengthen the Co-operatives to make them viable democratic economic institutions. During this plan period it was aimed to insure stable & fair prices shops for the necessities of human life through building a strong consumer Co-operative movement. Special attention was paid for economic upliftment of the small and marginal farmers and the weaker sections through Co-operation.
TABLE NO - 2.5
TARGETS AND ACHIEVEMENTS DURING THE FIFTH FIVE YEAR PLAN.
(Rs. in crores)

<table>
<thead>
<tr>
<th>Activity</th>
<th>Target for 1978-79</th>
<th>Achievements</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Disbursement of short-term credit</td>
<td>1200</td>
<td>1262</td>
</tr>
<tr>
<td>2. Disbursement of medium-term credit</td>
<td>350</td>
<td>753</td>
</tr>
<tr>
<td>3. Investment of Long Term credit</td>
<td>1130</td>
<td>1095</td>
</tr>
<tr>
<td>4. Agricultural produce marketed</td>
<td>1000</td>
<td>1334</td>
</tr>
<tr>
<td>5. Fertiliser distribution</td>
<td>1000</td>
<td>900</td>
</tr>
<tr>
<td>6. Distribution of seeds, pesticides &amp;</td>
<td>200</td>
<td>115</td>
</tr>
<tr>
<td>agricultural machinery</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. Co-operative Processing Units</td>
<td>1900</td>
<td>1900</td>
</tr>
<tr>
<td>8. Storage capacity at the end of the Plan</td>
<td>50</td>
<td>45</td>
</tr>
<tr>
<td>9. Storage capacity at the end of the Plan</td>
<td>50</td>
<td>45</td>
</tr>
<tr>
<td></td>
<td>1200</td>
<td>1250</td>
</tr>
</tbody>
</table>

SIXTH PLAN

In this plan, consumer Co-operatives uses further strengthened to make them play an important role in the public distribution system. One of the important objective of the plan in this sector was to develop the dairy & fishery Co-operatives. During this period for development of professional management in Co-operative institutions, managerial cadres were established. The state level marketing federations were also strengthened.
TABLE NO - 2.6
TARGETS AND ACHIEVEMENTS DURING THE SIXTH FIVE YEAR PLAN.

(Rs. in crores)

<table>
<thead>
<tr>
<th>Activity</th>
<th>Target for 1984-85</th>
<th>Achievements 1984-85</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Disbursement of S.T. loan</td>
<td>2,500</td>
<td>2,500</td>
</tr>
<tr>
<td>2. Disbursement of M.T. loan</td>
<td>240</td>
<td>250</td>
</tr>
<tr>
<td>3. Disbursement of L.T. loan</td>
<td>555</td>
<td>500</td>
</tr>
<tr>
<td>4. Fertiliser distribution</td>
<td>1,600</td>
<td>1,500</td>
</tr>
<tr>
<td>5. Value of consumer goods sold</td>
<td>3,600</td>
<td>2,900</td>
</tr>
<tr>
<td>6. Value of agricultural produces sold</td>
<td>2,500</td>
<td>2,700</td>
</tr>
<tr>
<td>7. Processing Units (number)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>a) Sugar factories</td>
<td>185</td>
<td>185</td>
</tr>
<tr>
<td>b) Oil mills</td>
<td>390</td>
<td>NA</td>
</tr>
<tr>
<td>c) Spinning mills</td>
<td>90</td>
<td>90</td>
</tr>
<tr>
<td>d) Others</td>
<td>1694</td>
<td>NA</td>
</tr>
<tr>
<td>8. Godown Capacity (Lakh tonnes)</td>
<td>82</td>
<td>80</td>
</tr>
</tbody>
</table>

SEVENTH PLAN

In the Seventh Plan great importance was accorded to Co-operatives. It was expected the primary agricultural credit societies to serve as multipurpose viable units rather than mere credit agencies. If aims at implementation of special programmes for under-developed states and serve to the weaker sections through the Co-operatives.
The Plan also aims to strengthen the consumer's movement to play an important role in the public distribution system.

**TABLE NO - 2.7**

**TARGETS FOR CO-OPERATIVE DEVELOPMENT**

**DURING THE SEVENTH PLAN**

(Rs. in crores)

<table>
<thead>
<tr>
<th>Programme</th>
<th>Plan Targets 1989-90</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Short-term loans</td>
<td>5.540</td>
</tr>
<tr>
<td>2. Medium-term loans</td>
<td>500</td>
</tr>
<tr>
<td>3. Long-term loans</td>
<td>1,030</td>
</tr>
<tr>
<td>4. Value of agricultural products to be marketed by the Co-operatives</td>
<td>5,000</td>
</tr>
<tr>
<td>5. Fertiliser to be sold quantity (million tonnes) value</td>
<td>833</td>
</tr>
<tr>
<td>6. Value of consumer goods to be distributed:</td>
<td></td>
</tr>
<tr>
<td>(a) Rural</td>
<td>3,520</td>
</tr>
<tr>
<td>(b) Urban</td>
<td>3,500</td>
</tr>
<tr>
<td>7. Godown Capacity (million tonnes)</td>
<td></td>
</tr>
<tr>
<td>8. Processing Units:</td>
<td></td>
</tr>
<tr>
<td>a) No. of Sugar factories</td>
<td>220</td>
</tr>
<tr>
<td>b) No. of Spinning mills</td>
<td>130</td>
</tr>
<tr>
<td>c) No. of Cold storages</td>
<td>250</td>
</tr>
</tbody>
</table>

It has been recognised that "In India Co-operative movement is large and diversified and touching all the sectors of the economy. By
30th June 1980, there are 3.1 lakh of Co-operatives of all types, with 860 lakh of members with share capital of Rs.1,679 crore and a working capital of Rs. 13,789 crore. The turnover of Co-operative activity exceeds Rs. 15,000 crore per year i.e. 25 per cent of the total National Income. Co-operatives have covered more than 80 million people, 98 per cent of the villages and 50 per cent of the families. Credit Co-operative supply 35 per cent of total credit required by agriculturists.9 (It was 3.1 per cent in 1954). Now Co-operatives are playing a much important role in rural development besides urban areas and particularly to serve weaker sections. National Co-operative Policy Resolutions with 42 points, action programme during the plan was in operation to serve all small farmers, labourers, artisans and consumers etc., in general and in rural areas in particular.

EIGHTH FIVE YEAR PLAN: (1990-95)
The following are the role of Co-operative in eight five year plan.

i) This plan ensures sufficient autonomy of federations for development of their Co-operative constituents at different levels.

ii) With the concurrence of the Government of India the Agricultural Minister has assured in include Co-operatives as sector.

iii) With a view to making village level Primary Agricultural Co-operative Societies (PACS) viable as a multi-purpose
institution a program of business development planning has been introduced all over the country.

iv) Training programme would be suitably oriented based on the survey of the National Council Training.

v) The National centre for Co-operatives Education of NCVI organised a number of outstation programmes. So as to orient the elected non-officials to build up professional and executive skill.

vi) Advance of loan Co-operative Agricultural and Rural Development Banks for non-form sector activities has been started with a view to enabling land development banks to undertake lending programme with a greater flexibility.

vii) The RBI has constituted a committee under the chairmanship of S.S. Narathe, to review the licensing policy for organization for new banks and other related issues.

viii) Two tier structure of tribal Co-operatives has been set up in several state in the country to purchase of minor forest produce from tribals at reasonable rates, supply of essential commodities and agricultural inputs and provide short-term agricultural and consumption loans.

ix) In order to identify the manufacturing of items of daily use in the Co-operative sector, the consumer Co-operatives are equated with private trade in so far as financing concerned.
Various schemes for promotion and development of the Handloom sector have been introduced by the central Government. Through these schemes, assistance is being provided to the handloom weavers both within and outside the Co-operative fold.

PRESENT POSITION

At present there are 14 National Level Co-operative Federations in India. There is a National Level Co-operative Union and National Council for Co-operative training. There are 24 State Level Co-operative Unions, a National Level Training Institution for Co-operative management at Poona, 17 Co-operative Training Colleges and 73 Co-operative Training Centres for Co-operative training and education. In India there are 26 State Co-operative Banks and 344 District Central Co-operative Banks. There are 19 State Land Development Banks and about 2000 Primary Land Development Banks and their branches. Important sectors where Co-operatives are found are credit, marketing, industries, storage, processing, consumers, farming, housing, transport, irrigation, electricity supply, urban credit, fertilizer, engineering, Co-operative for weaker section i.e. PACS, LAMPS, Co-operative rural banks, dairy, poultry, fishery, coir, silk, honey, handloom, labour control, forest labourers, taxi, auto and rickshaw drivers, washermen, barber, milk supply, special Co-operatives for hill and tribal areas, printing press etc., Amul is best in Asia for milk and milk products. Some Co-operatives have also adopted villages for all
round development. Plan to set-up Co-operative University, National Level Research and Training Centre is under process.

PROBLEMS

The growth and progress of Co-operative movement in India has a long chequered history. During this period the movement has experienced multifarious problems in the way of its healthy development as mentioned below.

1. Governments Influence

In recent years, there has been increasing tendency of interference from the government by way of imposition of restrictions leading to superscension of boards, delaying of elections, appointment of person-in-charge, etc. The situation has been further aggravated by the use of these powers by political in power for extra Co-operative consideration.

The origin and growth of the Co-operative movement in India have not been of a spontaneous character. The government have exercised practically all influence on the movement, through it pursued a policy of non-intervention (artificially). The major financial assistance and influence continues to remain still a major setback to the popularity of the movement among the people. They correctly feel that the Co-operative movement is still being looked after, from cradle to grave, by the Registrars and their staff. They cover almost completely the whole field activities of Co-operative societies. Added to it, the inordinate delay in the disposal of applications.
2. Political Influence

Above all, political pressure on officials to recommend and grant the claims of underserving persons handicaps mainly genuine and worth while cases. A man who has no political influence stoops to corrupt officials and gets things done quickly. The individual who has neither this nor the other suffers, however, worthy may be his cause.

Political interference and administrative high handedness go a long way to slacken to progress of Co-operatives. Besides, the growth of vested interests, ineffective federal structure, narrow base, and excessive reliance on government aid are some of the factors that inhibit the development of Co-operatives in our country. These coupled with the division of responsibility among several departments for the administration of Co-operatives results in the lack of co-ordination and expert guidance.

3. Bureaucrats on Deputation

Deputation of departmental officials has proved to be not only harmful to the business interest of the societies, but they are antidemocratic as they always look to their superior officials of their respective departments. Bureaucrats on deputation is also harmful because:

(a) Depautanist are more rule bound and less business like. In their enthusiasm to practise the office procedures they can sacrifice the business opportunities.
(b) The societies have to bear an additional financial burden on account of these bureaucrats, because, equally qualified candidates can be recruited at much less cost from open market.

4. Problem of Leadership

Problem of leadership is another problem in the way of development of the movement due to their peculiar socio-economic structure. A majority of the people in India are poor and illiterate which make outside leadership imperative. In Co-operative institutions this is indeed a colonial hangover which never gave any opportunity to develop spontaneous leadership.

REMEDIES SUGGESTED

1) Strengthen Human Resources-Deficiencies and deformities in the recruitment and training of personnel for Co-operatives should be remedied and competent persons should be selected for various posts. Individuals with capacity and unquestioned integrity should alone find a place in different responsible positions in various branches of the societies.

2) Avoid Politicalisation-Groupism, and class consciousness Co-operatives in general and in particular the Co-operative banks. They have become centres of political and group confrontations. These activities should be avoided.

3) Improve Recovery-Co-operative credit society constituted, particularly for the benefit of rural people, with the object freeing the
small farmer, from the clutches of the money lender, is generally red, because of heavy overdues from members. To write off Co-operative loans to fulfill political pledges, is unwise ethically.

(4) Develop sense of Solidarity-The term Co-operation a multitude of different forms. It is not only that various groups of interested persons (farmers, market gardeners, shop keepers, industrialists, owners of small business, consumers etc.) have formed themselves into Co-operatives, acting independently of one another. The most essential aspect required to the growth of the Co-operatives is a sense of solidarity among those intending to set up a Co-operative and among the members of an existing Co-operative must be regarded as highly important factor not in prosperity but also in an unforeseen adversity.

(5) Reduce Dependence on Govt. Help-The authorities of the Co-operative department claim that the movement had contributed considerably towards socio-economic development of the country and take pride in presenting statistics, (a disputed figure) while the general public rightly feel that the Co-operatives live mainly on government subsidies and not much on public contribution and participation.

(6) Effective Leadership-What is needed is constructive direction from the top to ensure healthy growth of Co-operative institutions. The authorities have failed to enlist the capacities and talents of the targets number of people in the cause of economic development through Co-operatives. Officials only shed crocodile tears for public participation in
the movement. When some one come forward, officials turn them out under one pretext or the other and place hurdles their enthusiasm. The persons concerned get disgusted and never turn up again.

Though the Co-operative sector has come to say as an integral part of the economy of the country, yet the impact and immensity of the Co-operative economy is not fully felt by people, because it has not been accompanied by a strengthening of the movement. Those at the helm of affairs the Co-operative movement seemed indifferent to the suffering of the poor, deriving benefits of the movement to themselves, while depriving the poor of its fruits. The private sector of the Co-operative movement has its profit motive while the public sector has its bureaucratic rigidity.