CHAPTER - I

GROWTH AND DEVELOPMENT OF RURAL COOPERATIVES IN UTTAR PRADESH.

Cooperatives functioning in rural areas are called rural cooperatives. Membership of such cooperatives is open to agriculturists, artisans and persons of small means. The main aim of rural cooperatives are to provide loans to their members, encourage thrift and act as agents for the sale of their members' produce and meet their agricultural and domestic requirements like hiring implements, machinery and bullocks or buffalos for the members. They also work as dissemination centres for information about improved farming practices, seeds, fertilizers etc. There are different types of cooperatives in U.P. viz., primary agricultural credit societies, primary marketing societies, poultry societies, artisans societies, ginning, pressing and processing societies etc. Each of these functions in a single village or a group of villages without giving its membership to any other higher society.

Long before the official inauguration of the cooperative movement in India, there existed a number of associations, though not strictly speaking cooperative societies in the modern terminology, which served the purpose of satisfying the financial
needs of the members in accordance with a mutual arrangement.

One of the first societies that came into existence in India was in Hoshiarpur (Punjab) in the year 1892. Three in Multan and two in Mianwali in Punjab sprang up in 1898 and 1900 respectively. But the actual movement may be said to have started in India after the enactment of the Cooperative Societies Act, 1904. This movement was started by the Government on the principles of Rochdale Pioneer in order to save people from the clutches of money-lenders. Since the movement was started to help poor agriculturists as was done in Great Britain, India too adopted the German model.

The provincial government of U.P. appointed Mr. Puji, who had some previous experience of the cooperatives in Europe, to study the working of the cooperative institutions in Europe with a view to introducing the system in the province. He advocated the establishment of village cooperative societies based on Raiffeisen principles. He also recommended

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2. 'As a matter of fact the Rochdale pioneers have not left any document prescribing for the principles of cooperation. The cooperative principles were worded by Holyoke, the great historian of England on cooperation, as the principles of Rochdale pioneers'. (Quoted from cooperative Farming and its Impact on Rural Industries of India, by Prof. Samiuddin, Faculty of Commerce, Aligarh Muslim University, Aligarh, 1972, p. 48).
the establishment of urban banks to act as agencies for organising and financing rural credit societies and for dissemination of cooperative principles. The idea brought to public notice through these steps soon began to bear fruit and some district officers in U.P. established pioneer societies on their own initiative. On the lines suggested by Mr. Dupernex, a few societies were started in U.P. in 1900 as an experimental measure. These societies were started with a government grant of Rs.1,000/- each. As a result of this, 200 cooperative societies had been established in U.P. by the year 1903. In 1904, their number rose to 223. All these societies were called village banks and their only function was collection and distribution of agricultural advances at low rates of interest. The average membership of these societies was 76 and the borrowed and owned funds on average amounted to Rs. 391/- per society. The capital of these societies was raised mostly through loans at varying rates of interest according to the sources of advance.

The cooperative societies advanced loans at considerably low rates of interest, but as it was found difficult to get at low rates, the interest rates charged from the agriculturists to be increased. This measure shook the confidence of the poor and created a bad impression on them. As a result of this, most of the societies became dormant by 1904. Meanwhile, the Indian Famine Commission of 1901 strongly advocated the formation of agricultural banks on the lines of mutual credit associations of
Europe. Lord Curzon, the then Viceroy, was quick enough to realise that no great results could be achieved from unorganised individual efforts and, accordingly, appointed a committee under Sir Edward Law to examine the working of the existing pioneer societies and to suggest lines on which a comprehensive legislation might be introduced. The Committee had Sir Fredrick Nicholson and Mr. Dupernex as its members. This Committee was further directed to go into the question of starting societies and make appropriate recommendations after consulting the local governments and after taking into account the experience of the district officers who had already experimented with the societies.

The Committee arrived at the conclusion that cooperative credit societies deserved every encouragement and that they should be given a fair trial. It further suggested necessary legislative measures and drew up model schemes for the management of rural and urban societies. On the basis of the findings and recommendations of this Committee, the Government passed the Cooperative Societies Act of 1904. The aims and underlying principles of the Act were fully explained to local governments and the public in an admirable way in a memorandum drawn up by Sir Denziel Ibbetson.

The history of the development of rural cooperatives in Uttar Pradesh may be divided into five stages.
First Stage (1904-1911):

The actual movement was started in U.P. after the passing of the Cooperative Societies Act of 1904. The first Registrar of Cooperative Societies in U.P. was appointed on 3rd November, 1904. The work of drafting the cooperative bye-laws was undertaken by the Registrar. The object of this Act, as stated in its preamble, was to encourage thrift, self-help and cooperation amongst agriculturists, artisans and persons of limited means. The main features of the Cooperative Societies Act of 1904 were as under:

(1) That any ten persons living in the same village or town, or belonging to the same class or caste, might be registered as a cooperative society for the encouragement of thrift and self-help among the members.

(2) The main objects of a society are to raise funds by deposits from members and loans from non-members, Government and other cooperative societies, and to distribute the money thus obtained in loans to members or to other cooperative societies.

(3) The organisation and control of cooperative credit societies would be under the charge of Registrar of Cooperative Credit Societies in each province.

(4) The accounts of every society are to be audited by the Registrar or by a member of his staff free of charge.
(5) Rural societies are to have four-fifths of their members from agriculturists; urban, four-fifths from non-agriculturists.

(6) The liability of members of a rural society is to be unlimited, except with special sanction by the local Government.

(7) No dividend is to be paid from the profits of a rural society, but when the reserve fund has grown beyond certain limits fixed under the bye-laws, a bonus might be distributed to the members.

(8) In urban societies, no dividend is payable until one-quarter of the profits in a given year is carried to the reserve fund.

(9) Loan can be made only to members, and usually only on personal or real security, although ornaments, the common form of savings of many peasants, might legally be accepted as security.

(10) Societies formed under the Act are exempt from fees payable under the Stamps, Registration and Income-Tax Acts.

A landmark in the growth of cooperation in U.P. was the beginning of provincial conferences of cooperators.
The first of such conferences was held during 1908-09. These conferences provided a common platform to the people to discuss numerous cooperative problems that were bound to arise.

Actually the Act of 1904 was found insufficient to meet the growing needs of the movement due to classification of the societies into rural and urban, non-formation of federation or central societies for supervision, control and finance and inadequacy to cover non-credit activities. The third conference of Registrars was held in 1908 and suggested amendments to the 1904 Act to remove the above-mentioned defects in its working. In order to remove these defects the Cooperative Societies Act of 1912 was passed.

Second Stage (1912-1918):

The Cooperative Societies Act of 1912 was drafted with great care after taking into consideration the experiences gained through the working of the societies. The defects and shortcomings found in the working of the Act of 1904 were remedied but its main features, viz. simplicity and elasticity were retained in the new Act. This Act authorised the formation of societies other than credit societies and also the formation of central financing agencies with limited liability. The division of societies into rural and urban was abolished and in its place societies were classified as limited and unlimited liability ones.

The Government was keenly watching the progress of the
movement. To examine whether it was developing on sound lines and to suggest measures for further improvement, the government appointed Maclagan Committee in 1914. It submitted its report in 1915. It emphasised the need for thorough audit and supervision of the societies in order to prevent mismanagement and embezzlement and to inspire confidence in the investing public. The committee laid down the following conditions necessary for the success of a cooperative society.  

(1) The first condition for the success of a cooperative society is that every member should have a knowledge of the principles of cooperation, if this cooperation is to be real and not a sham.

(2) In the formation of a society the first essential is the careful selection as members of honest men, or at any rate of men who have given satisfactory guarantees of their intention to lead an honest life in future.

(3) As regards the dealings of the society, it should lend to its members only.

(4) Loans should be given for productive purposes or for necessaries which, as essentials of daily life, can fairly be classed as productive. Loans must in no circumstances be for speculative purposes.

(5) The borrowers should be required to satisfy their fellows that they are in a position to repay the loans from the

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1- Mathur, B.S. Cooperation in India, Sahitya Bhawan, Agra, 1980, p. 69.
income they will derive from their increased productive capacity.

(6) When a loan has been given, it is essential that the committee of the society and other members should exercise a vigilant watch that the money is expended on the purpose for which the loan was granted.

(7) If the money is improperly applied, it should be at once recalled.

(8) The express object of the society should be the development of thrift among its members.

The Committee remarked: "We regret to have to say that the conclusion has been forced upon us that in the majority of cases primary societies in India fall short of the cooperative ideal. Speaking generally, even allowing for the backwardness of the population, there has been found a lack of true cooperation"

The recommendations of the Maclagan Committee had a far-reaching effect on the future development of the movement and they were adopted by the cooperative departments in all the provinces.

Third Stage (1919-1928):

With the passing of the Act of 1919, cooperation became a transferred subject under the charge of a minister in each

1- Maclagan Committee Report, 1915.
province. This period was marked by a large-scale expansion of the movement in almost all the provinces in the country. This period may also be said to be one of unplanned development. Different types of societies were formed during the period. Numerous cooperative societies for supplying and distributing various commodities, better farming and for providing long and medium-term credit were started in U.P. Progress during this period was quite uneven. Agricultural credit continued to be the predominant feature of the cooperative movement in the province. In 1919, a standing Committee of cooperators of U.P. was formed with 20 members, 14 to be elected by the central bank, 1 by independent societies and 5 to be nominated by the Registrar of the Cooperative Societies of the province. The Registrar was to be the President of the Committee and the Deputy Registrar and one non-official were to be its Vice-Presidents. Functions of the committee were to advise the department on matters referred to it by cooperative institutions, to suggest improvements in the working of the societies and to help in the development of cooperative movement in the province. The tenth U.P. Cooperative Conference was held in 1921 which observed that the Central Cooperative Organisations were the most suitable agency for looking after the industrial cooperative societies and recommended that every central bank should pay special attention to small industries.

The Government of U.P. strengthened the departmental...
to consolidate the position of weak societies for supervising them and to organise new societies. But there was little progress in the consolidation of the movement and the Board of Revenue pointed out at the time that there was little genuine cooperative spirit in the province and that the public were apathetic towards the movement. In order to investigate and report on the reasons why cooperative societies had not succeeded in gaining the confidence of the people and to make proposals for improving the functioning, supervision and control, audit and financing of the movement in all its branches, the U.P. Government appointed a nine man committee in 1925 under Oakden, I.C.S., as its president. The Committee included prominent non-officials. It held its sittings at important towns of U.P. and examined a large number of witnesses. The Committee submitted its report in March, 1926. The Government of U.P. vide their resolution dated 16th September, 1926 accepted most of the recommendations of the Oakden Committee with regard to the organisation working, management, supervision and audit of cooperative societies.

In 1928, the Royal Commission on Agriculture was set up. It examined the problems relating to agriculture and stressed the need of cooperation for implementing the programmes of agricultural development. Emphasising the important role of cooperation, even the Royal Commission aptly remarked, "If cooperation fails, there will fail the best hope of rural India".  

Fourth Stage (1929-1938):

The year 1929 marked the beginning of depression. Agricultural prices began to register a downward trend and consequently the incomes of agriculturists also declined. Owing to this depression a large percentage of funds of credit societies, was invested in loans to agriculturists. Thus the overdues in the societies mounted up resulting in their liquidation in certain areas. Due to the programmes of rehabilitation and reconstruction undertaken by the Government and cooperative departments, the cooperative sector began to register steady progress in the period after the depression. A very important landmark in the growth of cooperative movement in U.P. was the starting of the first Land Mortgage Society on limited liability basis at Saidpur in Ghazipur district in the year 1929-30 on an experimental basis. The society could not get success due to delays in getting loans from the central cooperative bank of the district. In the year 1933-34, four more societies were started, one each at Faizabad, Gorakhpur, Jalaun and Jaunpur. These five societies continued to function till the close of the fourth stage. Business transacted by these societies was small due to the paucity of funds at their disposal.

The Reserve Bank of India was set up in 1935. The Agricultural Credit Department was also set up simultaneously to solve agricultural credit problems and give financial assistance to cooperative societies.
The peculiar conditions created by second world war administered a tonic to the cooperative movement in U.P. when the societies gained in strength and vigour. Due to world war, the agricultural prices were increased. As a result of high prices most of the overdues, which has accumulated during the period of depression, were cleared off. Demands for further loan also decreased greatly. As a result of war, economic controls and food rationing were introduced and, therefore, a number of consumers' stores and similar type of societies were organised to distribute the necessaries of life to their members as well as non-members.

This period also witnessed the growth of multipurpose societies undertaking a variety of functions ranging from credit and supply of essential consumer goods, controlled commodities and seeds to marketing of crops. U.P. took the lead in this connection. It was also felt that the agricultural credit societies could not cover an adequate percentage of population due to their unlimited liability. It was, therefore, decided that multipurpose societies should be given a trial. These societies, which were known as 'village banks' were intended to undertake credit, marketing, supply of agricultural implements and better living activities. This was the most noteworthy development that occurred in regard to the consumer cooperative
movement. Many credit and sales societies took up the work of supplying consumer goods in addition to their normal activities. The policy of the cooperative department in U.P. was to register as few unlimited liability agricultural credit societies as possible and to convert the existing unlimited liability societies into village banks.

Cooperative Planning Committee (Saraiva Committee):

On the recommendation of the 14th Conference of the Registrars of Cooperative Societies (1944), the Government of India appointed in 1945 a twelve man committee under the chairmanship of Shri R.G. Saraiva. The Committee was to draw up a plan of cooperative development. It submitted a comprehensive report in 1946. The chief recommendation of the Committee was that as the supply of credit was only one aspect of the life of the agriculturist, activities of the primary credit societies should be so diversified as to cover the whole of his life, and that the societies should be revitalised so as to serve as centres for the general upliftment of the members.¹

The 15th Conference of the Registrars of Cooperative Societies which was held at Madras in 1947 considered the important recommendations of both the Gadgil Committee and the Cooperative Planning Committee. The Conference did not favour the establishment of Agricultural Credit Corporation as in its view the Provincial Cooperative Banks could very easily under-

take the functions of the proposed Credit Corporation. But the Conference approved of most of the recommendations of the Cooperative Planning Committee but recommended that the targets aimed at by the Committee were to be regarded as the minimum to be aimed at, the ultimate target being to bring cent per cent population in the villages within the cooperative fold. The Conference expressed the view that top priority be given to cooperative marketing.

After the attainment of Independence in 1947, development of all cooperative activities was given greater attention in Uttar Pradesh. The development of rural cooperatives in the state during the various plan period is being given on the followings pages:

First Five Year Plan (1951-56):

During the First Five Year Plan the main aims of the cooperative movement were to strengthen and revamp the cooperative credit and banking system with a view to increasing production, particularly agricultural production.

The emphasis in the First Plan, therefore, was on organising multipurpose cooperative societies in rural areas. The Pradeshiya Cooperative Marketing Federation (PCF) which was established in 1943 emerged as the biggest cooperative organisation in the State. There were 13 thousand cooperative societies.
in U.P. at the time of the independence of the country. Their membership was 3.21 lakh and share capital Rs. 49 lakh. The number of cooperative societies, their membership and the amount of share capital increased to 38 thousand, 13 lakh and Rs.200 lakh respectively in 1955. During this period U.P. was on the top in the country as regards distribution of credit and seeds to farmers. In 1946-47, the rate of interest on cooperative loaning was 13 per cent which was brought down to 9 per cent in 1951-52.\(^1\) On the recommendation of the Planning Commission, the scheme of cooperative farming was launched in this state as an experimental measure in the year 1951. A target of 100 cooperative farming societies was fixed for the First Five Year Plan which was achieved within the period.\(^2\)

In term of organisation of multipurpose societies, seed stores and cooperative farming societies, the programme got commendable success. During the First Five Year Plan as many as 18,250 multipurpose societies, 332 seed stores and 168 cooperative farming societies were organised.\(^3\)

**Second Five Year Plan (1956-61):**

The Plan stated, "the building up of a cooperative sector as part of the scheme of planned development is one of the central

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During the Second Plan period a radical change was brought about in the policy of credit distribution by linking it with marketing of produce. Emphasis was laid on controlled credit recovery i.e. repayment of loans in kind through the marketing societies. Attempts were also made to have a cooperative structure which is suited to the needs of intensive agricultural development programmes under the agricultural planning and community development programme. During this plan period, the State recorded a noteworthy achievement when U.P. State Land Development Bank was established in 1959. It was observed that in economic development, U.P. was lagging behind most of the States of India. The only positive achievement was the remarkable progress made in the field of cooperative movement during the last two years of the plan period.

During the plan, there was all round progress of cooperative movement. The non-traditional aspect of cooperation received special attention and consequently it progressed much. Cooperative training which was launched in the First Plan recorded remarkable growth. By the end of the Second Plan, there were 452 cooperative farming societies in U.P. and most of them were Joint Farming Societies. It may be said that

1- Second Five Year Plan, Government of India, Planning Commission, Delhi, p. 163.

during this plan period the Government adopted a strategy of diversified development of cooperation in the State.

**Third Five Year Plan (1961-66):**

The objective of the third plan was to bring 65 per cent of the agriculturists in the cooperative movement. This, however, could not be achieved and only 54.8 per cent of the total rural population engaged in agriculture could be covered by cooperatives at end of this plan period. Emphasis was laid on the organisation of potentially viable societies and reviving old primary service societies many of which had earlier become defunct or were not functioning satisfactorily. This reorganisation programme was given a big fillip when the Hyderabad Conference of Cooperative Ministers defined viability of cooperatives in concrete terms in 1964.

Consequently, a survey was conducted to identify the potentially viable societies and weak and moribund units. The programme of amalgamation and merger of weak and moribund societies with the potentially viable units was formulated in 1964-65. A new programme i.e. outright grant for special bad debts reserves, was initiated during this period to provide loans to marginal and sub-marginal farmers.
In the field of banking, the entire State was to be covered with primary marketing societies. One radical change was made in the credit system. It was presumed that fertilizers is the most important item for increasing agricultural production and therefore it was decided that distribution of loan should be made in the shape of fertilizers. Another radical change in the policy of loan distribution was switching over from security oriented credit to production oriented credit. Other important programmes of this period were organisation of primary and wholesale consumer stores, expansion of processing societies as an adjunct to marketing societies, setting up of cold storages in the cooperative sector and establishment of the branches of the Land Development Bank with the intention of distribution of loans for minor irrigation purposes in 20 districts of the State. The programme was further expanded during the Annual Plans. At the end of the Third Plan, the number of agricultural cooperative societies had risen to more than 43 thousands and their membership had gone up to 51 lakh.\(^1\) The outlay on cooperation in the Third Plan Period was fixed at Rs. 1,055.98 lakhs which also included the centrally sponsored schemes.

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Three Annual Plans (1966-69):

During the three Annual Plans i.e. 1966-67 to 1968-69, schemes for rural cooperatives, introduced earlier, were continued. A total budget provision of Rs. 147.36 lakhs, Rs. 125.65 lakhs and Rs. 95.89 lakhs for the purpose were made in 1966-67, 1967-68 and 1968-69 respectively. Out of these amounts Rs. 34.46 lakhs, Rs. 56.27 lakhs and Rs. 39.14 lakhs respectively were allocated to centrally sponsored schemes. In the State Plan, there were declining budget allocations during these three years. Whereas a sum of Rs. 112.90 lakhs was allocated in the first year it went down to Rs. 69.38 lakhs in 1967-68 and to Rs. 56.75 lakhs in 1968-69.

Fourth Five year Plan (1969-74):

Fourth Plan laid emphasis on consolidation of the work already done in the field of cooperation and streamlining of the existing credit structure so as to provide adequate support to ambitious agricultural programmes. Growth of agriculture is largely dependent on intensive farming and this involves a substantial increase in credit, inputs and services. The aim is to ensure that services which the farmers require are institutionalised to the greatest extent possible. In the process of such institutionalisation,
which cannot follow a set pattern, the cooperative form of organisation will have ample opportunities not only to expand but also to establish itself as viable and efficient.

"Some of the major lines of work in the Fourth Plan were in regard to the effective implementation of crop loan system, linking of credit with marketing, intensified programme for the development of cooperative marketing and processing, strengthening of the resources of cooperative societies and banks, reduction of overdues, increasing support to land development banks, and the increasing form of organisation, particularly in dairy, animal husbandry and fishery as part of the programmes for assisting the weaker sections of the community."

In the cooperative credit and banking field, it was proposed gradually to convert all the primary agricultural credit societies into viable or potentially viable societies by amalgamating smaller and weaker societies into viable economic units. Other objects of the Fourth Plan were to achieve a membership target of 75 per cent of agricultural families, to provide facilities of credit as quickly as possible by opening more branches of District/Central

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cooperative Banks to provide medium and long-term loaning facilities to meet the requirements of the members of cooperative societies for improved means of irrigation, to create additional storage capacity and to enable the societies to meet the increasing demand of agricultural inputs. To set up a hydrogenerated factory and a fertilizer granulating unit by the Apex Marketing Federation in the cooperative sector for the benefit of farmers and to have a special Drug Development Programme for the Hill region of the state. Different aspects of cooperation achieved marked progress during this plan period. At the time of the launching of the Fourth Five Year Plan, there were 1,333 cooperative farming societies in U.P. During this plan period 56 cooperative farming societies were revitalised and 49 new ones were organised. At the end of the Plan, there were 4,727 viable primary cooperative societies.

The following Table shows the progress made by primary agricultural cooperative credit societies in U.P. during the fourth Five Year Plan period.

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TABLE 1.1

Progress of Agricultural Cooperative Credit Societies in U.P. During the Fourth Plan Period. Rs. (in thousands)

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>1. No. of Societies</td>
<td>26,573</td>
<td>25,922</td>
<td>24,559</td>
<td>23,524</td>
<td>23,322</td>
</tr>
<tr>
<td>2. Membership</td>
<td>5,336</td>
<td>5,527</td>
<td>5,749</td>
<td>6,127</td>
<td>6,912</td>
</tr>
<tr>
<td>3. Share Capital</td>
<td>2,08,979</td>
<td>2,19,318</td>
<td>2,36,003</td>
<td>2,90,089</td>
<td>3,23,789</td>
</tr>
<tr>
<td>4. Contribution to Share Capital</td>
<td>17,088</td>
<td>17,077</td>
<td>19,289</td>
<td>25,345</td>
<td>27,013</td>
</tr>
<tr>
<td>5. Statutory and other Reserves</td>
<td>54,442</td>
<td>57,324</td>
<td>61,066</td>
<td>64,386</td>
<td>68,701</td>
</tr>
<tr>
<td>6. Deposits</td>
<td>47,521</td>
<td>50,355</td>
<td>47,641</td>
<td>52,805</td>
<td>58,339</td>
</tr>
<tr>
<td>7. Borrowings</td>
<td>6,74,332</td>
<td>7,26,369</td>
<td>7,96,821</td>
<td>8,89,884</td>
<td>10,61,946</td>
</tr>
<tr>
<td>8. Working Capital</td>
<td>9,85,274</td>
<td>10,53,966</td>
<td>11,41,531</td>
<td>13,87,173</td>
<td>15,12,031</td>
</tr>
<tr>
<td>9. Cost of Management</td>
<td>15,513</td>
<td>16,853</td>
<td>18,579</td>
<td>21,859</td>
<td>26,910</td>
</tr>
</tbody>
</table>


The progress of agricultural cooperative credit societies is clear from the above table. The number of societies decreased from 26,573 in 1969-70 to 23,002 in 1973-74. This was due to the merger of weaker societies into the potentially viable units. It may be noted that the membership of these societies has shown an upward trend.
during the period. The membership was increased from 53.36 lakhs in 1969-70 to 64.60 lakhs in 1973-74. Share capital of primary agricultural cooperative societies increased from Rs. 2,089.79 lakhs in 1969-70 to Rs. 3,232.95 lakhs in 1973-74. The government contribution towards the share capital of these societies also increased during the fourth plan period except in 1970-71. The deposits of these societies increased from Rs. 475.21 lakhs in 1969-70 to Rs. 50,355 but they decreased to Rs. 476.41 lakhs in the year 1971-72 and again increased to Rs. 528.05 lakhs in 1972-73 and to Rs. 580.89 lakhs in the year 1973-74. The working capital of these societies also increased year by year.

Small Farmers' Development Agency (SFDA):

On the recommendation of the All India Rural Credit Review Committee, the Small Farmers' Development Agency was established during the fourth plan period for the betterment of the small farmers. The entire expenditure on the scheme was provided by the Government of India outside the State Plan. The scheme was implemented by the State Government. A provision of Rs. 30 crores was made in the Fourth Five Year Plan for this purpose. Small Farmers' Development Agencies have been functioning since August 1970 in Pratapgarh, Rae Bareli, Fatehpur and Badaun District of U.P. to provide
credit facilities to small farmers having land from 2.5 acres to 7.5 acres, to enable them to improve their productive capacity in order to make their economic condition more stable. Under this scheme, small farmers are enrolled as members of a cooperative society and provided short, medium- and long-term credit facilities on priority basis.

Marginal Farmers' and Agricultural Labourers' Development Projects were for helping the landless labourers and sub-marginal farmers in the districts of Mathura and Ballia in January, 1971. Under this scheme credit facilities are being provided to farmers having less than 2.5 acres of agricultural land and to agricultural labourers earning 50% or more of their income from agricultural wages. Small farmers who want to undertake dairying and poultry farming are provided medium-term loans upto Rs. 2,000 on their personal security without mortgaging their lands. These schemes are helping the small farmers and landless labourers a lot and are enabling them to improve their financial position by providing them cheap credit facilities.

Fifth Five Year Plan (1974-78):

During the Fifth Plan Period, Government of U.P. felt that for ensuring distribution of essential commodities
at reasonable prices especially in urban areas and as also
to students under the 2o point economic programme, the
cooperative societies have assumed special importance. Like
the previous two five year plans, the Fifth Plan aimed at
construction of more godowns to provide additional storage
facilities. Cooperative marketing societies and the Apex
Federation (PCF) undertook procurement/purchase of wheat on
behalf of the Food Corporation of India. But cooperative
marketing societies could not make a dent as they were
unable to persuade farmers to pledge their produce with
them.

During the Fifth Plan period, there was a compre-
hensive list of aims to achieve. However, most of them were
of the nature of consolidation, revitalization and reorganiza-
tion of various cooperative activities initiated in
earlier plans. Some of the important programmes were as
follows:

(1) To encourage formation of farming societies, rickshaw
puller societies and labour cooperatives to help the
weaker sections of the society financially

(2) To encourage the programme of S.F.D.A. and F.A.L.
areas through cooperative societies in order to provi-

1. Indian Cooperative Review, Vol. XVII, No. 3, April, 1980,
p. 3.
facilities to backward areas and weaker sections of the society for their social and economic upliftment and to extend the same programme to other areas of the State.

(3) To start special programmes in the cooperative sector for the development of hill areas.

(4) To provide training facilities for the members of the cooperative societies and their officials.

(5) To set up a chemical fertilizer factory in the cooperative sector and to open agricultural service stations in rural areas to provide required inputs and services to agriculturists.

The total outlay for the cooperative sector was Rs. 32.96 crores in the Fifth Plan period. But the actual expenditures were made in the following order:

**TABLE 1.2**

Cooperative Sector Allocations in the Fifth Five Year Plan and their utilization (Rs. in lakhs)

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Name of Scheme</th>
<th>Fifth Plan Outlay (1974-78) Actual Expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Credit Cooperatives</td>
<td>1,267.77</td>
</tr>
<tr>
<td>2.</td>
<td>Marketing and Storage</td>
<td>268.31</td>
</tr>
<tr>
<td>3.</td>
<td>Processing Cooperatives</td>
<td>678.57</td>
</tr>
<tr>
<td>4.</td>
<td>Education and Training</td>
<td>39.41</td>
</tr>
</tbody>
</table>
During this Plan, Cooperative credit facilities were also expanded. By the end of the Plan, the amount of short-term and medium-term cooperative loaning reached Rs. 137.73 crores and Rs. 12.36 crores respectively. During the Plan, the Government also laid stress on strengthening and consolidation of rickshaw pullers' societies. By the end
of the Plan the total number of such societies was 143. It was felt by the Planning Department that the small agricultural credit societies could not achieve their objectives owing to their weak financial position. Therefore, in the Fifth Plan they were reorganised into bigger viable societies by merging the weaker ones, and their operation was extended to a 'Nyaya Panchayat' with a view to rendering integrated service of supply of credit, agricultural inputs and consumer goods to their members at one single point. By the end of the Plan, there were 7,211 Nyaya Panchayat level Primary Agricultural Credit Societies in the State. In order to run these societies effectively, a state level cadre authority was established and subsidy was given for better management. The membership of village primary societies rose to 80.48 lakhs, covering 57 per cent of the agriculturists of the State by the end of the Fifth Plan.

Two Annual Plans (1978-80):

The Fifth Five Year Plan ended one year before and the sixth Plan started one year later. Therefore, the year 1978-80 marked the two year interval period. Due to famines and droughts, the Sixth Plan did not start in 1979-80.

The progress of cooperative movement during the two annual

plans may be seen from the following Table:

TABLE 1.3
Development of Cooperative Movement During two Annual Plans in U.P. (1978-80)

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Particulars</th>
<th>1978-79</th>
<th>1979-80</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>No. of all Types of Cooperative Societies (excluding Sugarcane &amp; Industrial Cooperatives)</td>
<td>20,745</td>
<td>20,778</td>
</tr>
<tr>
<td>2.</td>
<td>Individual Membership (in lakhs)</td>
<td>113.08</td>
<td>117.84</td>
</tr>
<tr>
<td>3.</td>
<td>Owned Capital (Rs. in crores)</td>
<td>221.86</td>
<td>176.50</td>
</tr>
<tr>
<td>4.</td>
<td>Working Capital (Rs. in crores)</td>
<td>1460.05</td>
<td>1677.67</td>
</tr>
</tbody>
</table>

Source: Compiled by the author on the basis of information received from the U.P. Cooperative Union, Ltd., Lucknow.

The above Table shows that the number of all types of cooperative societies (excluding sugarcane and industrial cooperatives) was 20,778 at the end of 1979-80 whereas their number was 20,783 at the end of fifth plan. During the period the number of societies was decreased slightly due to amalgamation of non-viable societies into viable ones but the number of individual members increased from
108.45 lakhs (at the end of fifth plan) to 117.84 lakhs at the end of 1979-80. At the end of 1979-80 the owned capital of the cooperative societies decreased but their working capital increased.

**Sixth Five Year Plan (1980-85):**

The Fifth plan ended one year earlier (1974-78) and the Sixth Plan started two years later (1980-85). Progress in Cooperation during Sixth Plan, is being given below:

**Credit and Banking:**

Financial support in the form of credit for the purchase of agricultural inputs and cash loans for agricultural operations continued to be given priority to improve infrastructure support for increased agricultural production. The net distribution of short-term agricultural loans crossed Rs. 222.20 crores mark in the year 1983-84. For the year 1984-85 the short-term loan target of Rs. 300 crores was fixed, out of which Rs. 220 crores was allocated for the Rain crop. As against a maximum of 40 per cent prescribed by the R.B.I., cooperative credit was disbursed to 45 to 47 per cent beneficiaries belonging to the weaker sections.

In order to increase the flow of funds for a special component plan, 166 societies were identified where the
Scheduled Caste membership of the PACS exceeded 50 per cent and 466 PACS where their membership ranged between 40 to 50 per cent. The contribution of the cooperative sector was 33 per cent of the total loans disbursed under the IRDP. In the long-term disbursement, the State Land Development Bank (L.D.B.) reached a new level of individual loaning at Rs. 62.91 crores. The performance of short-term, medium-term and long-term loaning during the sixth Five Year Plan is given below:

**TABLE 1.4**

<table>
<thead>
<tr>
<th>Year</th>
<th>Short-term Target</th>
<th>Short-term Achievement</th>
<th>Medium-term Target</th>
<th>Medium-term Achievement</th>
<th>Long-term Target</th>
<th>Long-term Achievement</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980-81</td>
<td>230</td>
<td>187.38</td>
<td>25</td>
<td>28.06</td>
<td>70</td>
<td>51.00</td>
</tr>
<tr>
<td>1981-82</td>
<td>250</td>
<td>193.80</td>
<td>30</td>
<td>20.95</td>
<td>75</td>
<td>49.61</td>
</tr>
<tr>
<td>1982-83</td>
<td>250</td>
<td>204.54</td>
<td>35</td>
<td>42.51</td>
<td>75</td>
<td>54.39</td>
</tr>
<tr>
<td>1983-84</td>
<td>250</td>
<td>222.20</td>
<td>40</td>
<td>33.28</td>
<td>70</td>
<td>62.91</td>
</tr>
<tr>
<td>1984-85</td>
<td>300</td>
<td>100.09</td>
<td>45</td>
<td>9.19</td>
<td>75</td>
<td>16.05</td>
</tr>
</tbody>
</table>

(Achievement upto 30.9.84)

Marketing and Storage:

The World Bank assisted rural godown project (NCDC-II), made significant progress. The target of constructing 3,368 rural godowns was completed by the end of October, 1984. NCDC-III proposed to construct a fresh lot of 1,597 rural godowns in the next scheme. The target for the year 1984-85 was fixed at 750 rural godowns out of which as many as 250 were expected to be completed by the end of financial year. The total target for the construction of rural godowns was 6,880, out of which 6,342 were completed and remaining 538 were under various stages of construction till the end of the financial year.

Processing Cooperatives:

By the end of 1983-84, there were 94 processing units and 20 more dal mills were to be completed by the end of 1984-85. In addition, a major processing venture, Soya bean and vanaspati complex at Haldwani was to reach the production stage in the year 1984-85. To create a direct relationship between the grower members, 98 soya bean societies were registered.¹

¹ Seventh Five Year Plan (Government of U.P.), 1985–90, p. 276.
at all levels improved the working of the societies considerably. During the Sixth Five Year Plan period the total turnover of the societies was as follows:

Table 1.5

<table>
<thead>
<tr>
<th>Year</th>
<th>Rs. in crores</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980-81</td>
<td>81.60</td>
</tr>
<tr>
<td>1981-82</td>
<td>229.41</td>
</tr>
<tr>
<td>1982-83</td>
<td>320.58</td>
</tr>
<tr>
<td>1983-84</td>
<td>309.60</td>
</tr>
<tr>
<td>1984-85</td>
<td>390.00 (Estimated)</td>
</tr>
</tbody>
</table>


Development of Cooperative Societies in U.P. during Sixth

During the Sixth Five Year Plan, the Cooperative movement made remarkable progress. The Table given below indicates this:

Table 1.6

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. No. of All</td>
<td>20,302</td>
<td>20,351</td>
<td>20,497</td>
<td>20,497</td>
<td>20,504</td>
</tr>
</tbody>
</table>

Types Cooperative Societies
(Excluding Sugarcane and Industrial Societies)
Table 1.6 (Continued)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2.</td>
<td>Individual Membership (in lakhs)</td>
<td>124.01</td>
<td>128.55</td>
<td>131.95</td>
<td>138.36</td>
<td>145.10</td>
</tr>
<tr>
<td>3.</td>
<td>Owned Capital (Rs. in crores)</td>
<td>268.92</td>
<td>289.57</td>
<td>342.65</td>
<td>347.29</td>
<td>359.10</td>
</tr>
<tr>
<td>4.</td>
<td>Working Capital (Rs. in crores)</td>
<td>1,956.47</td>
<td>2,435.16</td>
<td>2,727.08</td>
<td>2,810.77</td>
<td>3,091.19</td>
</tr>
</tbody>
</table>

Source: Compiled by the author on the basis of statistics available in the office of the Registrar, Cooperative Societies, U.P., Lucknow.

The above Table reveals that the number of individual members of the rural cooperatives which was 124.01 lakhs at beginning of the plan, increased to 145.10 lakhs at the end of the plan while the number of all types of societies increased very slightly. The owned capital and working capital of the rural cooperatives also increased from Rs. 268.92 crores and 1,956.47 crores at the beginning of the plan to Rs. 359.10 crores and Rs. 3,091.19 crores respectively at the end of the plan.

Seventh Five Year Plan (1985-90):

The seventh Five Year Plan started on April 1, 1985. The strategy for Seventh Plan takes into account earlier experiences and emerging needs. The strategy of the Seventh Plan is given below:

(1) Coverage of additional population by increasing the membership of societies to the extent of 75 per cent of the total rural families.

(2) Greater emphasis on societies having predominantly Scheduled Caste and Scheduled Tribes membership which constitute nearly 20 per cent and 0.2 per cent respectively of the population.

(3) Diversification of activities of primary societies to convert them to multipurpose societies especially in hills where agricultural activities are not so profitable.

Proper stress has been laid on cooperative marketing and link up with public sector agencies. The link between credit and marketing can, to some extent, be further developed. Dairying and fishery development have received attention in the Plan. There is, however, hardly any attention to oilseeds, horticulture, plantations and vegetables. Cooperative marketing and processing must be so organised as to strengthen each other. Cooperative marketing organisations cannot be mere instruments for implementing government decisions. Developing a link between credit and marketing is in the common interest of the cooperative movement and the government.1

Emphasis in cooperative development has to be on diversification, the use of the available internal surplus capital, the reduction of percentage of sick cooperatives and encouragement to member entrepreneurs. The coordination of cooperative plans with plans of their individual members is perhaps more important than coordination with general government plans. The cooperatives have to become major instruments for the development of rural entrepreneurship. The responsibility to modernize, to save and to export have to be emphasised rather than emphasizing serving to small farmers and weaker sections. The cooperatives must help in achieving social objectives because they can do this more cheaply than the public sector. However, this is not possible if the burdens on them do not take into account the capacity of cooperatives to sustain them.

The seventh Plan includes the following programmes:

(1) Strengthening the existing cooperative infrastructure, in order to provide a strong base for the cooperative movement in the State. This includes introduction of cooperatives in hitherto untouched areas, or where the impact of the movement has so far been negligible.

(2) Making the reorganised PACS multipurpose by providing them State institutional assistance and with the addition of new activities with the help of Apex Cooperatives.

(3) Providing a strong base for agricultural production by considerably improving credit flow and agricultural inputs.

(4) Providing credit for anti-poverty programme like IRDP and weaker sections like weavers, fishermen etc.

(5) Concerted efforts for increasing flow of cooperative credit to underprivileged sections like Scheduled Castes and Scheduled Tribes.

(6) Strengthening of public distribution system in the rural and hilly areas, and consumer activity in urban and rural areas.

(7) Introduction of cooperatives of growers of apple, potato etc.

(8) Strengthening the education, training and extension base for officials of the cooperatives and non-official members.

It can be concluded that various types of rural cooperatives are working in Uttar Pradesh. Such societies are credit, marketing, farming, processing units, sugar factories, cotton
ginning and pressing, fisheries, milk supply, poultry and irrigation societies. These societies were established in U.P. after the enactment of 1904 Act. Before independence, rural cooperatives could not flourish in U.P. A real phase of development of the cooperatives in the State began with the First Five Year Plan. Since then, the movement has taken strides not only in respect of quantitative expansion but also in terms of its qualitative stabilisation. The most important factor responsible for the success of such societies is the availability of finances and their proper utilization and hence the second Chapter deals with the financial management of rural cooperatives in U.P.