CHAPTER TWO

HISTORY AND GROWTH OF COOPERATIVE MOVEMENT IN INDIA
History And Growth Of Cooperative Movement In India

The genesis of the Cooperative Movement and its various manifestations in the economic field can be traced to the Industrial Revolution in England, which spans the second half of the eighteenth and the first half of the nineteenth centuries. The Movement had its origin in Europe, which spread the light of Cooperative Movement throughout the world. For India, the inspiration for the Cooperative Movement came largely from Germany and here the Movement was introduced as a state policy and owes its origin to the enactment of the Cooperative Societies Act, 1904.

Even till the end of nineteenth century, the moneylender exploited the peasantry in India and the rural debt was at a gallop. The condition of the agriculturists was therefore really deplorable. The joint family system was cracking. Population was on the rise and industrialization was not rapid enough. Therefore, more and more people depended upon agriculture resulting in too much pressure on land. The land got increasingly divided and subdivided. Farmers who were once prosperous became petty peasants with tiny holdings of a few acres and were finally reduced to the status of landless labourers. They were in the clutches of the moneylenders. Rural debt was increasing and this increased the burden on the farmer. His economic position was deteriorating and his predicament hopeless; the farmer did not even have the incentive or the ability to improve his condition. The government felt that the farmer could be helped through some kind of cooperative effort. The government from time to time took various steps. The Cooperative Movement gradually crystallized and in 1904 The Cooperative Societies Act was enacted. In another two years
Cooperative Movement will have been in play for a hundred years. During this long span it has passed through various stages of development and seen many ups and downs. Its history up to India's Independence, journeyed five stages: -

THE FIRST STAGE OF THE MOVEMENT (1904-11)

The first stage of the Movement was no more than an experiment. During this stage of Movement, attention was given mainly to the organization of rural credit societies. As a matter of fact, though the Cooperative Societies Act of 1904 contemplated the organization of both rural and urban societies, the Government of India laid special emphasis on the promotion of rural credit societies and suggested that the establishment of societies among the agricultural classes should be the first care of the local governments (1).

One of the special features of the societies, during the period, was that the government was the prime mover of the Movement. The Movement was not only initiated by the government, but was also supported by government loans, which were generally marked by insufficiency and delay.

The objective of the 1904 Act, as stated in the preamble, was to encourage thrift, self-help and cooperation amongst agriculturists, artisans and persons of limited means. The essential features of this Act were as follows:-

- Any ten persons living in the same village or town could form a society.
- The cooperative societies were classified as rural and urban.
- The rural societies were bound to have unlimited liability; in case of urban societies the question was left to their option.
The Act provided only for the formation of credit societies.

The area of operation within which societies could operate was closely restricted.

The societies could advance loans to members only on personal or real security.

The interest of a member in the share capital of the society was strictly limited; no member could hold shares worth more than Rs. 1000.

The accounts of every society were to be audited by the Registrar or by a member of his staff free of charge.

Societies were exempted from payment of income tax, stamp duties and registration fees.

It provided for the appointment of Registrar of cooperative societies in each province.

The societies were given a legal personality and were authorized to raise funds and carry on their business in a corporate capacity (2).

At its first stage, the Movement helped 843 societies having 90.84 thousand members and a working capital of Rs. 23.72 lakh. This was the situation in the year 1906-07. After another five years, that is by 1911-12 there were 8177 societies having 403.52 thousand members and a working capital of Rs. 335.74 lakh (3).

Quite plainly, the Movement outgrew the expectations of its promoters, and, the Act of 1904 was found inadequate because it did not cover non-credit activities. Thus it had no provision for the formation of a federation, or a central society which could supervise, control and finance. The classification of the societies into rural and urban was also arbitrary. The Act of 1904 was therefore re-examined
and the Government of India passed the Cooperative Societies Act of 1912, which aimed to overcome these inadequacies.

**THE SECOND STAGE OF THE MOVEMENT (1912-18)**

The defects of the 1904 Act were apparently remedied in the second stage by the Act of 1912. But then, for reasons, which will be discussed later, got known as the *period of hurried expansion*. The essential features of the Act of 1912 were as follows: -

- Any society, credit or otherwise could be registered which had as its object the promotion of the economic interests of its members in accordance with cooperative principles.
- A federal society like the central bank could also be registered.
- Unless otherwise directed by state governments: -
  1. The liability of central societies was limited, but
  2. The liability of rural credit societies was to be unlimited.
- No members could hold more than one-fifth of the total share capital, or, hold a share exceeding Rs. One lakh thousand in a society.
- A society held a charge upon the shares etc., of a member in respect of any debt due from such a member.
- The societies were exempted from compulsory registration and state governments could also grant exemption from the payment of income-tax, stamp duties, registration fees, etc.,
- One-fourth of the net profits of a society were to be compulsorily carried to its reserve fund.
- Requirements of an annual audit were retained, as were numerous other provisions of the Act of 1904.
Subject to the prior claim of the government a society had a prior claim to enforce any debt against a member (4).

The new Act of 1912 gave fresh impetus to the growth of the Cooperative Movement. Consequently, by the end of 1917-18, there were 25,192 societies having a membership of 10.9 lakh and working capital worth Rs. 760.09 lakh (5).

The new Act was thus an improvement over the previous one. After its enactment, the Movement started with renewed promise. However, the government wanted to be sure that the Movement was developing on sound lines and appointed the Maclagan Committee for its review. It is indeed a matter of profound regret that many of the valuable suggestions made by the Maclagan Committee remained on paper only. The Movement still suffered from the same defects and deficiencies, which the Committee had pointed out about five and a half decades earlier.

In 1919, came the Montford Reforms. Cooperation was made a provincial subject. The direct responsibility of the Central Government in regard to the determination of policy and conduct of administration of the cooperatives ceased.

THE THIRD STAGE OF THE MOVEMENT (1919-29)

This stage is designated the period of unplanned expansion. The reforms of 1919 declared cooperation a provincial subject. It was placed under the charge of a minister in each state. During earlier years, cooperation made rapid progress in various states especially in promoting agricultural credit societies.
The Royal Commission on Agriculture was set up in 1926. It had to pinpoint agriculture related problems. It too stressed the need of cooperation for implementing the programmes of agricultural development. In fact, it came out with its famous warning: *If cooperation fails, there would fail the best hope of rural India.*

The third stage is designated the period of Unplanned Expansion. However, what is significant is that it was a stage during which the Cooperative Movement progressed continuously. By the end of 1929, there were 94,000 societies having a membership of 37.00 lakh and working capital worth Rs. 7500 lakh (6).

**THE FOURTH STAGE OF THE MOVEMENT (1929-39)**

The Cooperative Movement did progress considerably in its third stage. However, in 1929 it got a rude shock. The world went into a severe economic depression. Various committees had to think out a general method to re-examine the loans due to primary societies by individual members. These loans had to be scaled down for repayment in easy installment. Prices had fallen, and the cultivator had a heavy burden of debt to bear. Societies had to be rehabilitated. It was a critical moment. Some provincial governments had to extend necessary assistance to apex cooperative banks to help them supply fresh finance to members of the rehabilitated societies through central banks.

Between 1935 and 1939, there were three main developments in the field of Cooperation. They began with the establishment of the Reserve Bank of India in 1935. Its Agricultural Credit Department was charged with the duty of studying various problems relating to agricultural credit. A year later in 1936, an All India Conference of Registrars of Cooperative Societies pointedly stressed the need for the
development of long-term loans through cooperative land mortgage banks. Finally, the third development was the increasing acceptance of the concept of primary societies to help organize multi-purpose cooperatives.

**THE FIFTH STAGE OF THE MOVEMENT (1939-47)**

The period between 1939 and 1947 wholly spans the Second World War. There was considerable increase in the price of agricultural commodities; however, the price of other consumer commodities also rose very high. The Cooperative Movement now began to give greater importance to production and distribution. The Movement cashed on the price-rise. Its debt that had accumulated during the 1929 economic depression was completely cleared.

The number of societies in the year 1945-46 had risen to 1,72,000 with a membership of 91.60 lakh and working capital of Rs. 16,400 lakh.\(^7\)

**COOPERATIVE MOVEMENT DURING THE PLANNING PERIOD**

In 1947 India was politically a free country. However its industrial base was weak. Most of us depended on agriculture sector for livelihood. There had been economic stagnation for long, which further enhanced because of the stress of Second World War. Finally, the disastrous effect of partition disrupted the integrated economy of India.

In order to make the best use of its scarce resources, the country decided to build up its economic base in a planned way. A series of five year plans were launched. The object was to build up through democratic means with emphasis on social change. Cooperation was given place of pride, because it was a balancing factor between the two
main sectors, Public and Private. Therefore, the new Government of India took to develop the Cooperative Movement during its successive Five Year Plans.

THE COOPERATIVE MOVEMENT DURING THE FIRST PLAN (1951-56)

The first Five Year Plan was launched in 1950-51. It described the Cooperative Movement as an indispensable instrument of planned action in the country. According to it ----

The principle of mutual aid, which is the basis of cooperative organization, and the practices of thrift and self-help, which sustain it, generate a sturdy feeling of self-reliance, which is of basic importance in a democratic way of life. By pooling their experience and knowledge and by helping one another, members of cooperative societies cannot only find the solutions of individual's problems but also become better citizens\(^8\).

The most important landmark in the history of Cooperative Movement in India after independence was the publication of the report of All India Rural Credit Survey Committee. The Committee was categorical in its judgement on the records of the Movement. It said---

\textit{Cooperative has failed but hastened to add that cooperator must succeed}\(^9\).

The Committee continued---

\textit{Cooperation credit satisfies none of the requisites of either good cooperation or sound credit}\(^10\).
The Committee recommended an, "Integrated Scheme of Rural Credit", in order to reorganize agricultural credit in India. This scheme was based on the following principles:

- State partnership;
- Long-term operation fund;
- Loans against anticipated crops;
- Large-sized societies;
- Linking of credit with marketing;
- Training of personnel;
- Effective supervision and audit; and
- Special funds.

However, unfortunately, despite keen efforts the Cooperative Movement could not achieve the broad objective of the First Five Year Plan. This was because of various factors. The next plan took these factors into consideration.

The progress of the Cooperative Movement during the first five year plan is tabulated in Table 2.1.
TABLE 2.1: PROGRESS OF COOPERATIVE MOVEMENT DURING THE FIRST FIVE-YEAR PLAN FROM 1950-51 TO 1955-56

<table>
<thead>
<tr>
<th>PARTICULARS</th>
<th>1950-51</th>
<th>1955-56</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of PACS</td>
<td>1,15,462</td>
<td>1,59,939</td>
</tr>
<tr>
<td>Membership (in Lakh)</td>
<td>51.54</td>
<td>77.91</td>
</tr>
<tr>
<td>Average membership per society</td>
<td>45</td>
<td>49</td>
</tr>
<tr>
<td>Percentage of rural population served</td>
<td>10.30</td>
<td>15.16</td>
</tr>
<tr>
<td>Loans issued (Rs. In Crore)</td>
<td>22.90</td>
<td>50.16</td>
</tr>
<tr>
<td>Average loans per member (Rs.)</td>
<td>45.00</td>
<td>64.00</td>
</tr>
<tr>
<td>Average share capital per society (Rs.)</td>
<td>727.00</td>
<td>1051.00</td>
</tr>
<tr>
<td>Average working capital per society (Rs.)</td>
<td>3,547.00</td>
<td>4,946.00</td>
</tr>
<tr>
<td>Average deposit per society (Rs.)</td>
<td>391.00</td>
<td>441.00</td>
</tr>
<tr>
<td>Percentage of over dues to outstanding</td>
<td>21.90</td>
<td>25</td>
</tr>
</tbody>
</table>

Source: - Samiuddin & Mahfoozur Rahman; Cooperative Sector In India, S. Chand & Co. New Delhi, 1983, p.34.

THE COOPERATIVE MOVEMENT DURING THE SECOND PLAN (1956-61)

The second plan kept the recommendations of the All India Rural Credit Survey Committee in perspective. The Reserve Bank Of India Act was amended and National Development Council was established. The aim was to simultaneously improve the facilities of rural credit, and, intensify agricultural production in order to help build-up the rural economy. The plan laid special emphasis on marketing & processing cooperatives, and, credit cooperatives.

The progress of the Cooperative Movement during the second plan period is given in Table 2.2.
TABLE 2.2: PROGRESS OF COOPERATIVE MOVEMENT DURING THE SECOND FIVE-YEAR PLAN FROM 1955-56 TO 1960-61

<table>
<thead>
<tr>
<th>PARTICULARS</th>
<th>1955-56</th>
<th>1960-61</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of societies (in Lakh)</td>
<td>2.40</td>
<td>3.32</td>
</tr>
<tr>
<td>Membership of primary societies (in Lakh)</td>
<td>176</td>
<td>342</td>
</tr>
<tr>
<td>Share capital (Rs. Crore)</td>
<td>77.00</td>
<td>221.00</td>
</tr>
<tr>
<td>Working capital (Rs. Crore)</td>
<td>469.00</td>
<td>1312.00</td>
</tr>
<tr>
<td>Loans advanced by primary societies (Rs. Crore)</td>
<td>50.00</td>
<td>203.00</td>
</tr>
<tr>
<td>Percentage of villages covered</td>
<td>---</td>
<td>75</td>
</tr>
<tr>
<td>Percentage of rural population covered by PACS</td>
<td>12</td>
<td>24</td>
</tr>
<tr>
<td>Average loans advanced per member (Rs.)</td>
<td>64.00</td>
<td>119.00</td>
</tr>
<tr>
<td>Average membership per society</td>
<td>49</td>
<td>80</td>
</tr>
<tr>
<td>Average deposits per society (Rs.)</td>
<td>441.00</td>
<td>688.00</td>
</tr>
<tr>
<td>Average paid-up capital per society (Rs.)</td>
<td>1051</td>
<td>2722</td>
</tr>
<tr>
<td>Average working capital per society (Rs.)</td>
<td>4946</td>
<td>12913</td>
</tr>
</tbody>
</table>

Source: - Mathur, B. S; Cooperation In India, Sahitya Bhawan Agra, 1994, p. 70.

THE COOPERATIVE MOVEMENT DURING THE THIRD PLAN (1961-66)

The third five year plan also considered cooperation a vital factor for social stability and economic growth. It visualized for cooperation a wide dimension. The plan looked upon it as a major form of organization in many branches of economic activity, in particular agriculture, small industry, marketing and processing, and distribution and supplies. The Government of India even constituted a Committee under the chairmanship of Mr. Ram Niwas Mirdha, which recommended that the Central and State governments should come to the assistance of cooperatives in a big way.
The progress of the Cooperative Movement during this period of planning is highlighted by Table 2.3.

**TABLE 2.3: PROGRESS OF COOPERATIVE MOVEMENT DURING THE THIRD FIVE-YEAR PLAN FROM 1960-61 TO 1965-66**

<table>
<thead>
<tr>
<th>PARTICULARS</th>
<th>1960-61</th>
<th>1965-66</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of societies (in Lakh)</td>
<td>3.32</td>
<td>1.92</td>
</tr>
<tr>
<td>Membership of agricultural credit societies (in Millions)</td>
<td>---</td>
<td>26.10</td>
</tr>
<tr>
<td>Percentage of rural population covered</td>
<td>24</td>
<td>33</td>
</tr>
<tr>
<td>Loans advanced (Rs. Crore)</td>
<td>203.00</td>
<td>504.91</td>
</tr>
<tr>
<td>Agricultural produce marketed by cooperation (Rs. Crore)</td>
<td>175.00</td>
<td>360.00</td>
</tr>
<tr>
<td>Distribution of consumer articles by Cooperatives (Rs. Crore)</td>
<td>56.70</td>
<td>398.10</td>
</tr>
</tbody>
</table>


**THE COOPERATIVE MOVEMENT DURING THE FOURTH PLAN (1969-74)**

During the first three plans, the Cooperative Movement did make considerable headway. The fourth plan, however, laid particular emphasis on *Growth & Stability*. In fact, the plan used growth and stability of cooperatives as a kind of slogan for perpetual reference. During this plan period special attention was given to the following areas: (11)

- Cooperative credit;
- Small farmers;
- Cooperative marketing;
Cooperative processing: and

Consumer cooperatives.

The Reserve Bank of India under the chairmanship of Mr. B. Venkatappiah gave the lead. It set up an All India Rural Credit Survey Committee. Its aim was to review the supply of rural credit in the fourth plan and lend some serious thought to an Intensive Agricultural Programme. Almost all the recommendations of the Committee were accepted and even implemented by the government during fourth and fifth plans.

The progress of Cooperative Movement during the fourth plan is shown in Table 2.4.

TABLE 2.4: PROGRESS OF COOPERATIVE MOVEMENT DURING THE FOURTH FIVE-YEAR PLAN FROM 1965-66 TO 1969-70

<table>
<thead>
<tr>
<th>PARTICULARS</th>
<th>1965-66</th>
<th>1969-70</th>
</tr>
</thead>
<tbody>
<tr>
<td>Membership of PACS</td>
<td>26.10</td>
<td>30</td>
</tr>
<tr>
<td>Coverage of agricultural families (in %)</td>
<td>42.00</td>
<td>45</td>
</tr>
<tr>
<td>Loans advanced (Rs. Crore)</td>
<td>504.91</td>
<td>550</td>
</tr>
<tr>
<td>Fertilizers sold by Cooperatives(Rs. Crore)</td>
<td>80.10</td>
<td>260</td>
</tr>
<tr>
<td>Distribution of consumer articles by Cooperatives(Rs. Crore)</td>
<td>398.10</td>
<td>550</td>
</tr>
</tbody>
</table>


THE COOPERATIVE MOVEMENT DURING THE FIFTH PLAN (1974-79)

The draft of fifth five year plan stated ---
Cooperation is eminently suited to bring about desired socio-economic challenges in the context of existing conditions in the country. There is no other instrument as potentially powerful and full of social purpose as the Cooperative Movement\(^{(12)}\).

Four specific objectives had been stated for cooperative development during the fifth plan. (1) To strengthen the network of agricultural cooperatives, (2) To build up a viable Consumer Cooperative Movement to enable it to function as an important element in a consumer oriented distribution system, (3) To make efforts towards the correction of regional imbalances in the level of cooperative development particularly in the sphere of agricultural credit, (4) Special efforts will be made towards restructuring and reorienting the cooperatives so as to shift the focus on their activities increasingly in favour of small and marginal farmers and other under-privileged section of the people\(^{(13)}\).

The keynote of the Cooperative Movement during the Fifth Plan was *Growth with Social-Justice*\(^{(14)}\). The aim was to ensure stable and fair prices for the necessities of life through building up a strong consumer Cooperative Movement. Special attention was paid to the economic upliftment of small and marginal farmers and weaker sections through cooperatives.

In October 1974, the Department of Civil Supplies and cooperation was created in the Ministry Of Industry and Civil Supplies with an objective to coordinate and assist multi-pronged action on state government levels and the Union Ministries to ensure the production and distribution of essential commodities and to combat inflation \(^{(15)}\).
One of the primary objectives of Government Policy during the fifth plan was not only to increase the production of essential consumer goods, but also to make them available to people at reasonable prices. The strategy adopted for this purpose was two-fold viz; expansion and streamlining of the public distribution of consumer articles. To broaden the financial base of consumer cooperatives, the Central Government provided during 1975-76, special assistance of Rs. 4.55 crores to the State Governments for contributing to the share capital of Consumer Cooperatives.

THE COOPERATIVE MOVEMENT DURING THE SIXTH PLAN (1980-85)

The important programmes undertaken for the development of Cooperative Movement during sixth plan were the following: -

- Promotion of Voluntary Scheme & Social Action Programme;
- Promotion and strengthening of male / female Division;
- Pilot projects of public cooperation implemented by state governments; and
- Grants given for research studies in the field of rural development.

During this planning period, a major development in the field of Cooperative credit takes place i.e.; setting up of National Bank For Rural And Agriculture Development in the year July, 1982, which has now emerged as an apex national institution accredited with all matters concerning policy, planning and operations in the field of credit for agriculture and other economic activities in the rural areas.
The total central plan outlay for various schemes for the sixth plan period was Rs. 330.15 crores. The outlay in the state and Union Territory sector was Rs. 584.08 crore. Thus total public sector outlay on various scheme of cooperation was Rs. 914.23 crores (19).

Besides special programme of rural development, other programmes like cooperative credit, marketing, processing and storage, consumer cooperatives, cooperative training and education etc. are directly concerned with the cooperative sector. The public sector outlay on cooperation during the sixth plan was as follows: (20)

<table>
<thead>
<tr>
<th>Cooperative credit</th>
<th>Rs In Crores</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cooperative marketing</td>
<td>178.50</td>
</tr>
<tr>
<td>Consumer cooperative</td>
<td>10.50</td>
</tr>
</tbody>
</table>

In the year 1982, a new 20 point programme was announced, out of which 14 programmes were directly concerned with the cooperatives. Besides, special programmes of rural development, community development and cooperation in states, Union Territories were also encouraged.

During the plan the agriculture was expected to grow at an annual compound rate of about 5% which needs substantial credit farm inputs and marketing and storage support within this overall growth rate. This plan had laid great emphasis on the development of professional manpower and appropriate cadres to man the managerial posts, and for this purpose, recommend intensification of cooperative education and training programmes and their increased linkages to the
growing and diversified needs of the various sectors of the Cooperative Movement \(^{(21)}\).

In short, the progress made under the various cooperative during the sixth plan period presents a mixed picture. The most serious lacuna has been the continued existence of high levels of over dues in a large number of states which has eroded the overall viability of primary cooperatives and has also adversely affected other fields of activity like marketing of agricultural produce, supply of agricultural inputs and distribution of goods. \(^{(22)}\)

THE COOPERATIVE MOVEMENT DURING THE SEVENTH PLAN (1985-90)

The seventh plan attached great hopes to cooperatives. It expects the primary agricultural credit societies to serve as multipurpose viable units rather than mere credit agencies. It aims at implementation of special programmes for under-developed states and serves the weaker sections through the cooperatives. The seventh plan also aims to strengthen the Consumer’s Movement to play an important role in the Public Distribution System.

The major thrust during the plan was to ensure adequate flow of credit to the weaker sections of the population and to the less developed areas. During this plan, disbursement of agricultural credit through cooperatives, commercial and regional rural banks increased from Rs. 5810 crores in 1984-85 to Rs. 12570 crores by 1989-90. The expansion in short term, medium and long term loans through cooperatives, picked up only in the fourth year of the seventh plan. The debt relief scheme, announced in 1990-91 affected the recovery climate resulting in a lower volume of credit flow. Several measures were also initiated by National Bank for Agriculture and Rural Development to
increase the credit flow. Separate lines of credit for oilseed grower were opened \(^{23}\).

For improving the recovery climate and reduction of over dues, greater stress had been laid on the supervision over utilization of the loans provision of extensive services. However, the main emphasis was on the use of capabilities of cooperatives in the achievements of targets in the field of credit marketing, processing, storage and consumer cooperatives as this could not have been done by any other agency. As cooperative education, training and management were vital for achieving targets in the above segments of cooperative sector; therefore, programmes related to them were intensified. Development and strengthening of cooperative sector was not the aim nor the plan made any commitment, as it did earlier about utility and desirability of the cooperative sector and its role in Indian economy. \(^{24}\)

The targets and achievements during fifth, sixth and seventh Plan are given in Table 2.5.
### TABLE 2.5: TARGETS AND ACHIEVEMENTS DURING THE FIFTH, SIXTH AND SEVENTH FIVE YEAR PLAN

<table>
<thead>
<tr>
<th>Activities</th>
<th>Target (Rs Crore) 1978-79</th>
<th>Target (Rs Crore) 1984-85</th>
<th>Target (Rs Crore) 1989-90</th>
<th>Achievement (Rs Crore) 1978-79</th>
<th>Achievement (Rs Crore) 1984-85</th>
<th>Achievement (Rs Crore) 1989-90</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disbursement of ST loans during the year</td>
<td>1200</td>
<td>2500</td>
<td>5540</td>
<td>1262</td>
<td>2500</td>
<td>NA</td>
</tr>
<tr>
<td>Disbursement of MT loans during the year</td>
<td>350</td>
<td>240</td>
<td>500</td>
<td>753</td>
<td>250</td>
<td>NA</td>
</tr>
<tr>
<td>Disbursement of LT loans during the year</td>
<td>1130</td>
<td>555</td>
<td>1030</td>
<td>1095</td>
<td>500</td>
<td>NA</td>
</tr>
<tr>
<td>Agricultural produce marketed in the year</td>
<td>1000</td>
<td>2500</td>
<td>5000</td>
<td>1334</td>
<td>2700</td>
<td>NA</td>
</tr>
<tr>
<td>Fertilizers distributed in the year (value)</td>
<td>1000</td>
<td>1600</td>
<td>3400</td>
<td>900</td>
<td>1500</td>
<td>NA</td>
</tr>
<tr>
<td>Value of consumer goods distributed</td>
<td>1200</td>
<td>3600</td>
<td>7020</td>
<td>1250</td>
<td>2900</td>
<td>NA</td>
</tr>
<tr>
<td>Storage capacity (MT)</td>
<td>5.0</td>
<td>8.2</td>
<td>1000</td>
<td>4.5</td>
<td>8.0</td>
<td>NA</td>
</tr>
</tbody>
</table>

ST: Short Term,  
MT: Medium Term,  
LT: Long Term

THE COOPERATIVE MOVEMENT DURING THE EIGHTH PLAN (1992 -97)

The eighth five year plan was launched immediately after the initiation of structural adjustment policies and macro stabilization policies, inflation during 1990-91. The various structural adjustment policies were introduced gradually so that the economy could be pushed to a higher growth path and improve its strength and thus prevent Balance of Payments and inflation crisis in future. The plan took note some of these policy changes, which were to come about due to these reforms: (25)

i. Open door market economy in which imports and exports are liberalized facilitating free trade of goods and services.

ii. Privatization of public sector enterprises on a selective basis and removing all entry restrictions so that multinationals can also set up their industries in India to bring in new technologies and to increase competitiveness.

iii. New banking policy in which interest rates would be determined by market forces and withdrawing restrictions on lending to priority sector except in the case of small and marginal farmers.

iv. Withdrawal of government patronage in the form of controlling subsidies, concessions and grant-in-aids with a view to encourage Indian industry to become self-reliant and professionally managed.

During this plan A Model Cooperatives Societies Act has been drafted by the Planning Commission in the background of prevailing situation of the Cooperative Movement in the country, existing nature of cooperative laws at the Centre and in the
states governing cooperatives, present demands of the cooperative community to amend the laws and assurance, promises and commitments of the present and previous governments to change the laws. Salient features of the Model Cooperative Societies Act are as follows: (26)

i. State policy on cooperatives and the principles of cooperatives have been stated in the beginning of the Act as guide to the remaining provisions of the Model Act to facilitate the government to confirm to the basic ideology of cooperation.

ii. Procedure for registration of a new cooperative is simplified and all artificial restrictions by way of area of operation, economic viability etc. are removed.

iii. The Model Act gives no rule making power to the government. The law itself lays down the broad parameters necessarily to be observed by cooperatives and leaves all other matters relating to constitution, management and business of the society to be conducted in accordance with its byelaws.

iv. The Model Act gives no power to the Registrar or the Government to order for any of the following in a cooperative:

   a) Suppression of the Board Of Director

   b) Compulsory amalgamation or division of societies

   c) Compulsory amendment of the byelaws

   d) Veto/rescind/annual the resolution
e) Issue directives

v. Cooperative Federations/Unions are to assure greater responsibility towards the member cooperatives.

vi. The Model Act prohibits cooperative from accepting funds from the Governance by way of equity and to ensure the character of cooperative as a member user organization, special obligations have been imposed on members.

vii. The role of the Registrars under the Model Act has been confined to the registration and liquidation of cooperatives, conduct confined to the registration and liquidation of cooperatives, conduct confined to the registration and liquidation of cooperatives, conduct of inquiry and in case of default to conduct elections, audit and to convene meeting of general body.

During the year 1992, Dr. V. Kurien suggested another Act over the Model Act and recommend a Multi State Cooperatives Act to provide for registration of Multi State Cooperative Companies under the Companies Act 1956 in order to enable the larger, producer-owned cooperatives whose objects extend beyond the boundaries of a single state, to operate and compete on the same basis as comparable investor-owned corporations partnerships and private limited companies. (27)

There are also provisions for memorandum of association, byelaws, amendment of memorandum and byelaws, option of multi state cooperative societies to become multi state cooperative companies, constitution of Board of Directors, powers and functions of the Board of Directors, powers and the General Body, functions of the
Chairperson/ Chief Executive, conduct of the Board meetings and quorum, General Body meetings etc (28).

The Model Act prohibits officers of the government to work in a cooperative and provides for the constitutions of Cooperative Tribunal for settlement of disputes including appeals on matters relating to constitution. For this, various states of the country followed the Model Act by partial amendments of their respective Cooperative Societies Act to enact Parallel Acts. This Parallel Acts has provided facility to organize new generation cooperative societies (29).

One of the major issues concerning the cooperative sector during this plan was the professionalization of management which is essential for overall cooperative development vis-à-vis other sectors. For achieving this it was considered necessary to convince the state governments of the need for granting functional autonomy of cooperatives.

The growth and development of the Cooperative Movement during this plan has by and large been satisfactory. The performance of Cooperative Movement during this period of five year plan has been shown in Table 2.6.


The ninth Five Year Plan was launched in 1997. It has made some references of the cooperatives and recognized their role in the agricultural development and allied activities. Perhaps the government has not seriously studied the implications of its policy regarding cooperative sector which is as important as public and private sector (30).
### TABLE 2.6: PROGRESS OF COOPERATIVE MOVEMENT DURING THE EIGHTH FIVE-YEAR PLAN FROM 1992 TO 1997

<table>
<thead>
<tr>
<th>ACTIVITIES</th>
<th>AMOUNT (Rs In CRORE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disbursement of Short Term loan</td>
<td>13098.50</td>
</tr>
<tr>
<td>Disbursement of Medium Term loan</td>
<td>1257.30</td>
</tr>
<tr>
<td>Disbursement of Long Term loan</td>
<td>3963.55</td>
</tr>
<tr>
<td>Agricultural produce marketed</td>
<td>9211.32</td>
</tr>
<tr>
<td>Retail sale of urban consumer’s</td>
<td>5867.00</td>
</tr>
<tr>
<td>Retail sale of rural consumer’s</td>
<td>6822.00</td>
</tr>
<tr>
<td>Inputs distributed by cooperative societies through retail outlets (like; fertilizers, seeds, pesticides, etc;)</td>
<td>4989.77</td>
</tr>
</tbody>
</table>

**SOURCE:** *Cooperative Movement In India – A Statistical Profile, 1998*, Department Of Agricultural & Cooperation, Ministry Of Agriculture, Government Of India, New Delhi.

The ninth plan accorded priority to agriculture and rural development with a view to generating adequate productive employment and eradication of poverty; accelerating the growth rate of the economy with stable prices; ensuring food and nutritional security for all, particularly the vulnerable sections of society; providing the basic minimum services of safe drinking water; primary health care facilities, universal primary education; shelter; and connectivity to all in a time bound manner; containing the growth rate of population ensuring environmental sustainability of the development process through social mobilization and participation of people at all levels, empowerment of woman and socially disadvantaged groups such as
schedule caste, schedule tribe and other backward casts and minorities as agents of socio-economic change and development; promoting and developing peoples participatory bodies like cooperatives and self-help groups; and strengthening efforts to build self-reliance. While in the case of ninth plan the Cooperative has not determined any target to be achieved by this sector in its various segments. It gave only sketchy account of credit, marketing fertilizers, fisheries etc. and did assign any specific role in the economy of the country. (31)

During this period of planning there were 0.411 million cooperatives in India having a membership of 198 million. The share capital and working capital of these cooperatives during this period were targeted as Rs 93502 million and Rs 1313844 million respectively. (32)

As far as the cooperative federation is concerned, there were 21 National cooperative federations, 284 State level cooperative federations and 2331 District cooperative federations.

The overall growth of Cooperative Movement from the year 1965-66 to 1999-2000 and agricultural credit disbursement by cooperatives from the year 1990-91 to 1999-2000 have been illustrated in the Figures 2.1 and 2.2 respectively.
FIGURE 2.1: GROWTH OF COOPERATIVE MOVEMENT FROM 1965-66 TO 1999-2000

<table>
<thead>
<tr>
<th>Year</th>
<th>No. Of Societies</th>
<th>Membership</th>
</tr>
</thead>
<tbody>
<tr>
<td>1965-66</td>
<td>346.20</td>
<td>51.90</td>
</tr>
<tr>
<td>1973-74</td>
<td>333.60</td>
<td>77.10</td>
</tr>
<tr>
<td>1977-78</td>
<td>300.40</td>
<td>93.10</td>
</tr>
<tr>
<td>1984-85</td>
<td>315.70</td>
<td>142.10</td>
</tr>
<tr>
<td>1991-92</td>
<td>318.70</td>
<td>148.00</td>
</tr>
<tr>
<td>1992-93</td>
<td>339.70</td>
<td>172.50</td>
</tr>
<tr>
<td>1993-94</td>
<td>395.30</td>
<td>189.60</td>
</tr>
<tr>
<td>1994-95</td>
<td>411.10</td>
<td>197.80</td>
</tr>
<tr>
<td>1995-96</td>
<td>427.60</td>
<td>201.50</td>
</tr>
<tr>
<td>1996-97</td>
<td>452.70</td>
<td>204.50</td>
</tr>
<tr>
<td>1997-98</td>
<td>488.20</td>
<td>207.60</td>
</tr>
<tr>
<td>1998-99</td>
<td>503.90</td>
<td>209.60</td>
</tr>
<tr>
<td>1999-2k</td>
<td>528.20</td>
<td>228.70</td>
</tr>
</tbody>
</table>

FIGURE 2.2: AGRICULTURAL CREDIT DISBURSEMENT BY COOPERATIVES FROM 1990-91 TO 1999-2000

Source: - Profile Of Indian Cooperative Movement-2001, National Resource Centre, NCUI, New Delhi, P14.
CONCLUSION

The problem of rural credit and indebtedness in rural India has been as old as civilization. Even till the end of nineteenth century, the money lenders and traders exploited the peasantry in India and the rural debt was at a gallop. The condition of the agriculturists was therefore really deplorable. Because of heavy assessment and the uncertainty of tenancy rights, peasants were left with a very small margin of net returns even during normal years. The money lenders and traders were the only major source of credit. Institutional sources were either completely absent or not very significant. So in this regard the government felt that the farmer could be helped through some kind of cooperative effort and for this various steps had been taken from time to time by the government, and finally the Cooperative Movement gradually crystallized in 1904, and the Cooperative Societies Act was enacted.

The government of India appointed a committee under Sir Edward Law whose recommendations formed the basis of the Cooperative Credit Societies Act, 1904. Originally this Act intended to solve the rural problems and aimed primarily at providing agricultural credit and to make the Movement mainly a Credit Movement. Non-credit types of cooperative activity could not be organized nor could cooperative finance be made available for their purpose, which was a weak point of this Act. Another defect of this Act was that, there was no provision for the formation of federations or central societies for supervision and control of the individual credit societies. So for this the need of another Act was found necessary and the new Act was passed in 1912.
The defects and shortcomings of the previous Act of 1904 were remedied in the *Cooperative Societies Act of 1912* with an objective to facilitate the formation of cooperative Societies for the promotion of thrift and self help amongst agriculturalists, artisans and poor section of the society. The immediate object of the new Act was to infuse fresh energy into the Movement. There was an increase in the number of society's membership and working capital which raised the confidence of the public on cooperatives year after year.

During the enactment of this Act i.e. in 1911-12, there were 8177 societies having 403.52 thousand members and a working capital of Rs 335.74 lakh. This figure increased to 25192 societies having a membership of 10.9 lakh and working capital worth Rs. 760.09 lakh by the end of 1917-18.

In order to take stock of the position of the cooperative societies Act of 1912, the Government of India, appointed a committee under the chairmanship of *Sir. Edward Maclagan in 1914*, which suggest measures for the improvement of the financial position of the cooperative societies. The committee made various recommendations and warned against the hasty registration of societies and laid down certain standards regarding their structure, financial management, maintenance of liquidity, inspection and audit etc. It is indeed a matter of profound regret that many of the valuable suggestions made by this Committee remained on paper only.

After this, the Government of India passed various Acts from time to time for the future development of the Cooperative Movement e.g. the Cooperative Act, 1919 which made the cooperation a state subject, the *Reserve Bank of India Act 1934* and the *Multi Unit Cooperative Societies Act 1942*. 
The period from 1904-1947 was nurtured by the British Government to ameliorate the condition of the poor and uneducated farmers. During the Second World War (1939-45), Salary Earners cooperative societies were organized by employees of organizations, and just after the end of Second World War in the year 1945, the Government of India appointed a committee under the chairmanship of R.G. Saraiya, to draw up a plan for Cooperative development. The central recommendation of the committee was that the supply of credit was only one aspect of life of the agriculturalists, the activities of the primary village credit societies should be so diversified as to cover the whole of his life and that the societies should be revitalized so as to serve as centers for the general uplift of the members.

With the advent of Independence in 1947, development of all cooperative activities was given attention because the period before independence was not much successful for the Cooperative Movement. In order to make best use of its resources, the country decided to build up its economic base in a planned way. For this, a series of five year plans were launched with an objective to build up through democratic means and to give cooperation a place of pride, which was a balancing factor between the two main sectors, public and private.

Recognizing the cooperative form of organization as an indispensable instrument of planned economic preference for the cooperative organizations for the economic activities of the people, especially in regard to agriculture, marketing, cottage and processing industries and internal trade, which formed the most important part of the development scheme included in the plan.

The most important landmark in the history of Cooperative Movement in India after independence was the publication of the report
of All India Rural Credit Survey Committee in 1954 which revealed that cooperative credit societies, in spite of their existence for over 50 years, accounted for only 3.1% of the total credit needs of the cultivators. Government contributed another 3.3%. Professional moneylenders were responsible for 44.8%, agricultural moneylenders for 24.9%, traders and commercial agents for 5.5% and commercial banks for 0.9% of the total borrowings.

The survey Committee strongly favored not only state guidance and aid, but also partnership in cooperative institutions at all levels by subscribing for the share of the society. The committee recommended that the rural credit must be directed mainly towards improved productivity. It must meet the long, medium as well as short-term credit needs. It must be available for all purposes at a moderate rate of interest.

The industrial policy resolution of 1956 affirmed that the Principle of Cooperation should be applied wherever possible and a steadily increasing proportion of the activities of the private sector had developed along Cooperative lines. In pursuance of this policy, the second five year plan laid down objectives to be achieved important activities of the Cooperative Movement by 1960-61.

In the cooperative field, the targets of the second five year plan were no doubt spectacular, but the special attention was being paid to strengthen the Movement at its base. In 1957, Sir Malcom Darling, an authority on the subject, who had made an earlier report on setting up the Rural Credit Department, came to India under the Colombo plan and reported of recent developments in the field of Cooperatives with reference to programmes in the second five year plan and made recommendation for strengthening the organization of cooperative
departments in the states, the training programmes for cooperatives personnel, and organization of the Cooperative Movement at and below the district level.

Another landmark during this plan was the National Development Councils resolution on simplification of cooperative law, which was brought to the forefront in the year 1958. It made very important recommendations in the area of cooperative legislation to protect the small men from exploitation. The cooperatives were identified as a suitable instrument of promoting social justice, and utmost emphasis also lay on the programmes of cooperative education.

The third five year plan considers cooperation as a vital factor for social stability and economic growth and visualizes wider dimensions for it in the country. During this plan, an important place was given to cooperation as a major from of organization in many branches of economic activity, especially in the agriculture, small industry, marketing and processing and distribution and supplies.

During the first three plans the Cooperative Movement did make considerable headway. The fourth five year plan, however, laid particular emphasis on Growth & Stability. This plan was much influenced by the recommendations of All India Rural Credit Review Committee (1969), which recommended reorganization of rural credit in the Reserve Bank, Setting up of a Small Farmers Development Agency, creation of rural electrification corporation, adoption of various measures for timely and adequate flow of credit.

The development of Cooperative Movement was attracting the politicians and by the end of this plan the entry of politics and Politicians was quite visible. In fact before launching the fifth Five Year
Plan a tug of war had started between politicians and officials, and the Movement marched ahead with all symptoms of chronic aliment.

The keynote of the Cooperative Movement during the fifth five year plan was growth with Social Justice, with an aim to ensure stable and fair prices for the necessities of life through building up a strong consumer Cooperative Movement.

In the light of the problems faced during the fifth plan, the sixth five year plan set up a Committee to Review Arrangements for Institutional Credit for Agricultural and Rural Development in the year 1981 and made various recommendations for primary agricultural credit societies and large size agricultural multi purpose societies.

The major development in the field of cooperative credit took place in the year 1982 with the setting up of National Bank for Agriculture and Rural Development, which has now emerged as an apex national institution in the field of credit for agriculture and other economic activities in the rural areas.

During this plan, Multi State Cooperatives Societies Act was enacting in the year 1984, which brings all societies under the purview of one Central Act. This act does not contain any provision for compulsory amendment of byelaws or for compulsory amalgamation or division of multi state societies.

Till sixth five year plan, there used to be a specific chapter defining the policy perspective for cooperative development in every plan document. However, since the seventh five year plan, a specific chapter on cooperation does not find place in the Plan document. The Indian Cooperative Congress drew the attention of the then government to this important policy deviation regarding cooperatives
and unanimously requested the Government of India to recognize "Cooperation" as a specific sector of Indian economy as it has been done in case of private and public sectors. The seventh plan sought to emphasize policies and programme which accelerate the growth of Cooperative Movement. This plan got a great success but due to political upheavals at the centre, the eighth plan was postponed by two years and was introduced in the year 1992-97.

The eighth five year plan was launched after a worsening Balance of Payment position and inflation during 1990-91. The plan undertook various drastic policy measures to combat the bad economic situation. During this period, the Model Cooperative Societies Act has been drafted by the Planning Commission in the background of Prevailing situation of the Cooperative Movement in the country, existing nature of cooperative laws at the center and in the states governing cooperatives, present demands of the cooperative community to amend the laws and assurance, promises and commitments of the present and previous governments to change the laws.

Under this Act, procedure for Registration of a new cooperative is simplified and all artificial restrictions by way of area of operation, economic viability, etc, are removed and the Act gives no rule making power to the government and itself lays down the broad parameters necessarily to be observed by cooperatives and leaves all other matters relating to constitution, management and business of the society to be conducted in accordance with its bye-laws.

The role of the Registrar under the Model Act has been confined to the registration and liquidation of cooperatives, conduct of inquiry and in case of default to conduct elections, audit and to convene
meeting of general body. The Model Act prohibits cooperatives from accepting funds from the Government by way of equity.

In 1992, Dr. V. Kurien recommended a Multi State Cooperative Societies Act to provide for registration of Multi State Cooperative Companies under the Companies Act 1956.

Though the government has already accepted the recommendations of Committee on Model Cooperative Law, neither the State Act nor the Multi State Cooperative Societies Act has been amended exactly on the lines of the Model Cooperative Law. The cooperators throughout the country were, therefore, deeply concerned over the slow and tardy progress of implementation of Model Cooperative Law. On the basis of Model Act, with certain modifications various states had gone for a new Parallel Act instead of amendment in the existing Act. This Parallel Act was first introduced by the Andhra Pradesh followed by other states like Bihar, MP, J.K, Orissa, Karnataka and Kerala. Few other states have also initiated process to enact Parallel Acts.

The introduction of market economy from 1991 has changed the entire strategy and concept of our economic development. With this background the cooperatives had entered into the new era of free economy with the introduction of ninth plan (1992-97) which accorded priority to agriculture and rural development. From the early days of planning, cooperatives have been perceived as the most important form of people’s institution for promotion of equity, social justice and economic development, but presently the Cooperative Movement is at cross-roads and has been passing through a critical phase.
Despite differences in socio-cultural environments, political orientation the cooperative organization should encourage for gradual social and economic change, particularly in rural areas.

The most crucial challenge before cooperatives in the present situation as well as in the future is of survival as a potent agents of socio-economic change. Having wide membership base, democratic management, widespread acceptability as instruments of social and economic change, the Indian Cooperative Movement is facing major threat from growing alienation among member, lack of efficiency in their operations, anti-technology culture, anti-capital accumulation emphasis in their working etc.

Besides, closer state involvement leading to insentivity, non-viable operations, security-seeking orientation among cooperative managers, lack of structural support and misconceived perception of the principle of democratic control, excessive politicization, unhealthy cooperative employee relationship etc are the other factors due to which the cooperatives are lagging behind in the present competitive environment.
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* Tahsil: - Under a district, there are a number of tahsils. Generally combination of four or five tahsils (depends upon its size) makes a district.