In a poor and underdeveloped country like India where a great majority of the agricultural population is illiterate, ignorant without sufficient funds to improve its economic lot, State initiative and assistance in the form of subsidies, loans at concessional rate of interest and provision of technical and administrative staff for the agriculturists and backward class people and their organisations in the form of cooperatives are necessary. For the above reasons, the cooperative movement in India has essentially been an official one and is nurtured in the same atmosphere.

Since the eighties of the last century the Government in India help agriculturists in times of distress or famine under their Land Improvement Loans Act of 1883 and Agriculturists Loans Act of 1884. Under the Land Improvement Loans Act long-term loans are granted to individual farmers for land improvement, minor irrigation work, etc. for a period of 20 to 35 years at 3 to 3½ per cent interest rate while under the Agriculturists Loans Act they are given loans for the purchase of agricultural requisites, sinking of wells, etc. for a much shorter period and at a concessional rate of
Interest - at about 3 per cent. The failure of both these Acts in stimulating agricultural prosperity is due to the fact that under the Land Improvement Loans Act, the funds borrowed do not permit their use for consolidation of holdings or repatriation of prior debts and those obtained under the Agriculturists Loans Act involve undue delay due to strict and careful inquiries by officials, uncertainty of getting the loans if gratuities are not paid to the subordinate officials, rigidity of the system of collection and ignorance about the facilities for credit and necessary procedure to secure such loans. Provision of loans under the Taccavi system has certain disadvantages since loans supplied under it sometimes discourage agriculturists' spirit of enterprise and self-reliance and induces them to think that widespread default in repayment may compel the State to scale down the debts rather than dispossess the peasantry of their lands.

Various legislative measures are enacted by Government to check the growing malpractices of moneylenders, indebtedness of agriculturists, fragmentation of holdings, and dispossession of lands from the tillers to the mahajans and absentee landlords.

In recent years specially since the second World War the State has contributed increasingly towards the financing of agricultural requisites of farmers to increase food production in the country. State loans to agriculture in
1938-39 amounted to Rs. 1 crore while in 1949-50 it touched the figure of Rs. 15 crores. Under the Grow More Food Campaign launched by Government agriculturists were given subsidies and loans at concessional rate for construction and repair of minor irrigation works, godowns, cattle-sheds, etc. and for reclamation, improvement and utilisation of land. Despite State assistance in various forms to agriculturists under the Grow More Food Campaign, it failed due to shortage of machinery and equipment, difficulties of transport facilities, lack of necessary zeal and sincerity on the part of agriculturists to the appeals of Government, shortage of trained staff for implementing the schemes and insufficient use of the co-operative service by the Government in this direction. State supply of direct loans at concessional rate to individuals has in many parts of the country encroached upon the legitimate field of cooperative banks. The State should as a matter of policy advance funds to farmers for their agricultural requirements through cooperatives to make the supply of cheap credit better utilised for productive purposes under the supervision of cooperative organisations and to cultivate thrift, self-help and mutual help among the borrowers. Recently some States have started giving financial help to farmers through cooperatives and subsidise the latter for the losses if any, incurred in implementing such State help to agriculturists.

Public aid is given to cooperatives in numerous ways. They are given privileges and concessions in the form of

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1 Reserve Bank of India: State Aid to Agriculturists in India (Reserve Bank of India, Agricultural Credit Department, Bulletin No.19, Bombay), p. 53.
prior claim to enforce recovery of certain dues, exemption of shares or interest of members from attachment, and from execution of awards through Government agencies; the admission of certified copies of accounts as evidence; exclusive use of the term cooperatives; protection from restrictive provisions of various Debt Relief Acts; exemption from duties payable in connection with Registration and Stamp Acts and from income-tax; remittance facilities at par or at concessional rate between societies and special facilities for the withdrawal of funds from the Post Office Savings Bank.

Special legislative measures are enacted for the organisation and working of cooperatives.

Government maintains cooperative departments in various States which undertake audit, inspection, and in some cases supervision of cooperative institutions in their area of operation. Education and training facilities are also offered by Cooperative Departments for office-bearers of cooperatives and Government officials and cooperative propaganda is undertaken. The Departments publish annual reports on the working of cooperative societies giving a clue to the growth and weakness of the Movement in the area concerned, and suggest lines on which future development should take place. Some of them occasionally undertake survey of development of cooperative movement in its various phases in different parts of their area of operation for a comparative study and examination of the trends of the movement. Expenditure on Cooperative Departments by the Governments in most of the major States an
in Rajasthan, M.B. and Pepsu is increasing rapidly indicating the willingness of State Governments to help cooperatives more and more. Central as well as State Governments appoint from time to time committees and experts to study the cooperative movement as a whole and in its varied phases of development by undertaking surveys in different areas.

Among the cooperatives that get State grants-in-aid and subsidies to meet initial expenses for establishment and management include societies organised for backward class people and refugees, industrial cooperatives including women’s societies, rural credit societies and multi-purpose societies. Some State Governments subsidise cooperatives to meet losses incurred by them in lending at concessional rate of interest to farmers while implementing special Government schemes for provision of cheap credit to agriculture. Some multipurpose as also marketing cooperatives get subsidies for construction of godowns; fisheries societies for purchase of equipment and cooperative farming societies for purchase of agricultural requisites. State governments provide loans at concessional rate of interest to cooperative farming and colonisation societies for land improvement and development schemes, to irrigation societies for their various schemes including installation of machinery, purchase of equipment etc; to industrial cooperatives for purchase of raw materials, equipment and construction of godowns; to apex cooperative banks towards their share capital by purchasing shares; to consumers’ societies to undertake procurement and distribution
work of foodstuffs and other essential goods; to marketing societies for construction of godowns; to housing societies for services of technical staff and to multipurpose societies, newly organised societies and societies for backward class people for their various needs in carrying out their activities. State provides free administrative services in the initial stages in the form of trained assistants to act as managers and secretaries to societies organised for marketing of members' produce, joint farming, fishermen, backward class people and to those that carry on multipurpose activities. Free services of inspection and supervision are also provided to societies organised for backward class people, Harijans, displaced persons, women and for rural housing. Free technical help is provided to labour contract cooperatives, fisheries societies and to housing societies organised for refugees and backward class people. It should be noted that Bombay and Madras State Government lead all others in helping their various types of cooperatives in the form of grants-in-aid and subsidies, loans at concessional rates, provision of administrative and technical services at concessional rate or free of charge and guarantee the borrowings of cooperatives to the principal and/or interest thereon.

State encourages consumer cooperatives by giving them preference in procurement and distribution of foodstuffs and essential articles and to housing cooperatives in the acquisition of sites and supply of building materials. It
lends its moral support to the movement by entrusting it to the rehabilitation of ex-servicemen and displaced persons from Pakistan, by organising them into cooperatives to take to cooperative farming and subsidiary occupations in colonies specially created for them. State has recognised the cooperative system as a suitable agency to help the Government in successfully intensifying its Grow More Food Campaign and implementing Community Development Projects.

Modern Governments take increasing interest in the development of agriculture by providing technical education and expert advice, finding out markets for surplus produce, dissemination of useful information, concessions in transport facilities and supply grading and storage facilities as in Denmark, North America, New Zealand and Australia. Cooperative housing schemes are subsidised in many countries. State also provides cheap finance to cooperatives to meet the needs of agriculture in many Asian countries.

Whenever State assistance is granted to the cooperative movement in any country, there follows the interference or control of the State on cooperatives to the extent to which the latter are helped. As stated earlier, Indian cooperative movement is not a spontaneous growth but something imposed from above due to special circumstances prevailing at the time. The control of the State through officials of the cooperative departments is so comprehensive and forceful in India, that it has been often considered
as one of the main reasons of the failure of the Movement in India. Constant interference of officers of cooperative departments who are vested with authorities without adequate responsibility, who as outsiders have little financial stake and interest in the movement and are over-sealous in the exercise of powers vested in them do not allow enough latitude for popular initiative making thereby those on the management of cooperatives irresponsible. Instead of a cooperative society, the Registrar has been made the centre of the picture. In the initial stages of the Movement the Registrar's control over audit, supervision, inspection, education and training, propaganda, financial operations etc. was justifiable but now when the movement is fifty years old, the Registrar's powers should be restricted merely to registration, liquidation and perhaps audit of cooperatives. At present, there is quite a good number of cooperatives which deserve complete autonomy in their financial and general administration without any restraint or control from outside. Now the question is no more of increasing participation of non officials in the movement but for the wise and gradual withdrawal of outside control from cooperative organisations. Paucity of workers of the right calibre, for management on cooperatives, some of the non-officials' seeking official interference and sponsoring of the movement by the State do not necessarily mean the establishment of a permanent control over the movement. The State's role now should be one of assisting, guiding and training non-official workers to

1 Some excerpts from the writings and Speeches of H.L.Kaji: "Deofficialisation of the Cooperative Movement" in The Indian Cooperative Review, Vol XVII No 3, 1951, July - September, op cit, p. 249.
take up the responsibilities of running the movement on proper lines. F.A.O. Conference on Cooperatives in Asia recommended in this connection that "the role of Government in relation to cooperative societies should be one of active helpfulness, intended to stimulate cooperative enterprise, to guide it and to keep it on sound lines, without either attempting to compel or to replace local initiative or self-help."

Some of the State Governments in India have not a separate cooperative department and a minister-in-charge for the same with the result that the development and organisation of cooperatives do not get the needed attention. In such States, cooperatives normally do not get adequate and cheap finance for their activities and administrative and technical help and guidance. They also find difficulties in getting raw materials and equipment, and in storage and marketing of the produce of their members. Under the present circumstances when cooperatives are considered to be the most suitable agencies for rural reconstruction and development they deserve special significance from such States. Besides a separate cooperative department and a minister-in-charge in every State, there should be a Minister on Cooperation at the Centre and a Cooperative Adviser and a Central Cooperative Council to advise him on all matters relating to the Cooperative Movement in India.

The Planning Commission have attached great importance to the cooperative system as a suitable agency to increase

1 F.A.O. Conference on Cooperatives in Asia held at Lucknow; Recommendation: No.1, op cit ed, 1949.
agricultural production and for rural reconstruction. They said that "the cooperative form of organisation can no longer be treated as only a species within the private sector. It is an indispensable instrument of planned economic action in a democracy." They have recommended State Governments to encourage and help in numerous ways those cooperatives that take up production activities, supply of cheap finance to potentially creditworthy farmers, development of small scale and cottage industries, marketing of surplus produce of rural areas, house building activities, wholesale and retail trading, joint farming, cooperative education, training and propaganda, resettlement of ex-servicemen, refugees and those affected by Prohibition and multipurpose activities. Though the extension of cooperative form of organisation to these varied activities has not so far achieved much, 'such extension holds out promise of securing the best results by way of increased production, the reduction of rent and profit margins and the building up of investible surpluses in the economy.'
