PART - I.
CHAPTER I
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1. EARLY HISTORY

India, in the past was famous for its agriculture and industrial products. It had important trade relations with other countries by sea and land routes. But the advent of East India Company and its subsequent business activities brought a rapid decline in her overall economy. The indigenous industries were crippled, business was wiped out and the country began to be increasingly impoverished. In the absence of other avenues of employment more and more people had to fall back on agriculture. As a result there was too much pressure on land. With the increase in population and expansion of families the land got divided and sub-divided. Left with tiny holdings of few acres and burdened with new system of land revenue and other family obligations the peasants had to depend for their requirements of cash on the moneylender cum traders for credit or on sale of their produce. Debt and poverty made their condition deplorable. The prevailing state of affairs made it quite clear that only some type of collective approach on cooperative effort could ease the situation and improve their condition. It was also evident that without government incentives and help such effort would not be forthcoming from the peasants at their own initiative.

Work towards this end got started. Mr. Justice N.G. Ranade and Sir William Wedderburn were the first officials who in 1882, prepared a scheme for setting up an Agricultural Bank in Poona (Pune) to provide loans to farmers. While their scheme was not accepted in its original form its essential features were embodied in the Land Improvement (Long-term Operation Loans Act, 1883 and Agriculturist's Loan Act, 1884.
The Agriculturist's Loan Act, 1884 provided short term loan and the Land Improvement Loan Act of 1883, provided long term loans, which were popularly known as "Taccavi Loans." But the "Taccavi Loans" became unpopular due to delay in implementation and the rampant corruption for which it could not solve the problem of rural indebtedness.

In 1892, the Governor, Lord Wales of Madras appointed Sir Fredrick Nicholson to enquire and report on advisability of starting a system of Agricultural Land Banks in Madras Presidency. Mr. Nicholson, after a study of the theory and practice of Agricultural Banks in Europe, submitted a very exhaustive report in 1897, wherein he strongly recommended the establishment of cooperative credit societies in India. But no action suggested by Sir Nicholson was implemented. Again, in the United provinces in 1899, another inquiry was started to find out the possibility of starting Agricultural Bank in some selected areas of the province. Mr. H. Dupernex was placed on special duty for the purpose. Accordingly, he recommended the establishment of village cooperative societies of Raiffeisen type and also of urban banks. The Raiffeisen type societies are mainly agricultural. In December 1900, a Committee meeting in Calcutta, concluded that the Raiffeisen type of cooperative society would be most suitable. At the same time Mr. Maclagan in Punjab and Mr. Lyon in Bengal (all British civilians), paved the way for cooperative movement in our country.

II. ACT OF 1904 AND 1912

In the wake of serious famines at the close of the 19th century,

1 'Agricultural cooperative structure in India' Dr. C.B. Mamania, Page-14.
a Committee under the Presidency of Sir Edward Law was appointed by the Government of India in 1901 to consider the question of introducing cooperative societies in India. They came to the conclusion that "the best way of providing loans to the farmers was to start cooperative societies on the lines of Raiffeisen as these were best suited to Indian conditions." As a result of this, a Bill was introduced in the Legislative Council by Sir Denzil Ibbetson and was subsequently enacted as the cooperative societies Act of 1904. This Act provided for the registration of credit societies of primary nature. The societies were classified into urban and rural. The rural societies were to have unlimited liability and could not pay any dividends. All profits were to be carried to the reserve fund. There was no provision for the organisation of central institutions. Thus began the era of cooperation in the Indian economy.

After seven years of experience in those cooperative societies formed under the Act of 1904, certain drawbacks were noticed. In order to overcome these drawbacks, the government passed the cooperative societies Act which was amended in 1912. This provided legal sanction for organisation of different kinds of cooperative societies. With the introduction of provincial autonomy, cooperation became a provincial subject and several provinces passed their own Acts in the 20s and 30s of this century. But by and large, one can say, that until the dawn of independence the cooperative movement in India primarily concerned itself with credit activities.

III. MACLAGAN COMMITTEE

Although the British Government in India sponsored the organisation of agricultural credit societies and provided the necessary legal framework for the growth of the cooperative movement in India, the policy of the government was one of encouraging the cooperative movement to grow on its own without any special assistance from the government. There were, no doubt, some instances of government providing loans to cooperative societies standing guarantee in respect of debentures floated by cooperative banks, but generally the position was that the Government did not take financial responsibility for the movement. Maclagan Committee (1915) took note of the financial difficulties which threatened the cooperative movement in the country and brought them to the notice of the Government. It was hoped that the government would carefully examine the question and make satisfactory arrangements for meeting the financial needs of the societies.

Subsequently, the great depression of the 30's gave a tremendous setback to cooperative activity. The Royal Commission on Agriculture (1927) looked at the working of the cooperative societies in India and observed that "if cooperation fails, there will fail the best hopes of Rural India". Some steps were taken in the 30's at the initiative of the provincial governments for rehabilitation of the cooperative banking structure.

IV. RESERVE BANK AND COOPERATIVES

The establishment of the Rural credit Department in the Reserve...
Bank of India in 1935 gave a fresh lease to the cooperative movement. In 1936, the Report prepared by the Reserve Bank of India in respect of cooperative movement made certain recommendations viz. (i) The village credit societies should be converted into multipurpose societies so as to cater to the needs of the village ranging from supply of farm implements to household requirements (ii) no farmers should get loans more than once a year and loans should be advanced in instalments according to requirements (iii) the long-term loans should be started and separately administered than the short-term loans and (iv) provincial Banks should supervise and provide leadership to cooperative credit societies.

V. COOPERATIVES IN THE WAR PERIOD

During post-war period (World War II) there was far-reaching development in the cooperative sector. The war stimulated the growth of consumer stores and marketing societies. Many new types of producers' societies like weavers' societies and other industrial cooperatives, Milk Supply Unions, Motor Transport Societies, Cooperative Societies, Cooperative Marketing Societies, Fruit and Vegetable growers and cane growers' Association, etc. were formed during the war period. The credit societies extended their functions and the movement manifested its multipurpose potentialities. Loan repayments were accelerated, turnover was brisk and working capital registered substantial increase, though not in proportion to the war-time inflation, which means that a unique opportunity of augmenting working capital by increasing members' deposit was lost.

\[ ^5 \text{Cooperation in India' by Dr. C.B. Memoria and R.D. Saksena. Page 123.} \]
VI. COOPERATION DURING THE PLANNING ERA

The importance of cooperation was strongly emphasised by the cooperative planning Committee. The cooperative planning committee referred to the cooperatives as the most suitable medium for the democratisation of economic planning. The target of the first plan was to bring 50 per cent of village and 30 per cent of rural population under cooperation in ten years. It was envisaged that by 1955-56 credit supplied by the cooperative movement and government should reach the level of Rs.135 crores per annum.

6 During First Plan Period, the number of primary Agricultural credit societies increased from 1.15 lakh to 1.59 lakh, membership increased from 51.54 lakh to 77.91 lakhs; loans issued were raised from Rs.22.90 crores to Rs.50.16 crores, but the percentage of overdue to loan outstanding increased from 21.9 per cent to 25.05 per cent.

The second plan (1956-57 to 1960-62) laid down the following targets for the cooperative movement to be achieved by the end of 1960-61: 7 (a) Supply of agricultural credit worth Rs.225 crores through cooperatives, (b) membership of agricultural societies to be raised to 15 million persons and (c) 10 per cent of the marketable surplus of the agricultural produce to be marketed through cooperatives. But the actual results were considerably short of the targets fixed.

6 'Agricultural Cooperative Structure in India' by Dr. C.B. Mamoria, Page-31.
The Third Plan (1961-62 to 1965-66) carried forward the work of the first Two Plans. By the end of the third plan the Primary Agricultural Credit societies covered about 87 per cent of the villages. The total number of societies stood at 191,904. Majority of the Agricultural Credit societies were weak and inefficient inspite of their revitalisation programme. About 31 per cent of the societies worked at loss. The societies covered about 33 per cent of the agricultural population.

The progress of the cooperative movement from the beginning of the First Five Year Plan (1950-51) to 1964-65 is given below:-

Table 1.1

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<tbody>
<tr>
<td>1. Number of societies (lakhs)</td>
<td>1.8</td>
<td>2.4</td>
<td>3.3</td>
<td>3.5</td>
</tr>
<tr>
<td>2. Membership of primary societies (lakhs)</td>
<td>137</td>
<td>176</td>
<td>342</td>
<td>486</td>
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<tr>
<td>3. Share Capital (Rs. Crores)</td>
<td>45</td>
<td>77</td>
<td>222</td>
<td>400</td>
</tr>
<tr>
<td>4. Working Capital (Rs. Crores)</td>
<td>276</td>
<td>469</td>
<td>1,312</td>
<td>2,460</td>
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</tbody>
</table>

Source: Cooperation at a glance, 1968, page 2

In the Fourth Plan (1969-70 to 1973-74) various reforms and reorganisations were done and main emphasis was given on consolidation of land holdings, extermination of the existing weakness and improvement of the cooperative credit structure. During the Fourth Plan Period 45 small Farmers’ Development Agencies in selected districts were established, Rural Electrification Corporation was set up and 41 pilot projects were started. In 1969, a conference of the State Ministers of Cooperation was held and greater emphasis was laid on agricultural development and various steps were taken for strengthening the cooperative activities. The All India Rural Credit Review Committee was also set up in 1969 under the Chairmanship of Sir B. Venkatappiah to suggest measures for the reorganisation of rural credit.

During Fifth Plan (1974-79) greater emphasis was also laid on the credit requirements of the smaller farmers and artisans and building up of a strong and viable cooperative sector. By the end of June 1979, there were 1.02 lakh primary Agricultural Credit Societies, 1581 Large sized multipurpose societies and 1774 Farmers’ Service Societies. The table 1.2 shows the progress of the cooperative movement from 1968-69 to 1977-78.

The Sixth Plan (1980-85) also laid emphasis to enable the cooperatives to cover greater number of poorer people, making available properly trained and qualified personnel to handle different activities, further development of the cooperative dairies, fishery cooperatives, fruits and vegetable cooperatives, supply of essential consumer articles in rural and urban areas and improvement in case of storage capacity of the cooperatives. Further, efforts were also made to develop and strengthen the marketing of agricultural produce, intensify the cooperative training and education programmes. Actually the
Table 1.2

Progress of the cooperative movement from the period 1968-69 to 1977-78

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</thead>
<tbody>
<tr>
<td>1. No. of societies (lakhs)</td>
<td>3.3</td>
<td>3.2</td>
<td>3.1</td>
<td>3.2</td>
<td>3.2</td>
</tr>
<tr>
<td>2. Membership of primary societies (lakhs)</td>
<td>585</td>
<td>591</td>
<td>848</td>
<td>896</td>
<td>931</td>
</tr>
<tr>
<td>3. Share Capital (Rs. Crores)</td>
<td>663</td>
<td>851</td>
<td>1,529</td>
<td>1,700</td>
<td>1,812</td>
</tr>
<tr>
<td>4. Working Capital</td>
<td>4,473</td>
<td>6,810</td>
<td>12,432</td>
<td>14,585</td>
<td>16,691</td>
</tr>
</tbody>
</table>

Source: Agricultural cooperative structure in India's by Dr. C.B. Mamoria.
Page 52.
aim was to increase the efficiency and economic viability of the cooperatives.

In the Seventh Plan (1985-89) systematic efforts are being made for the progress of the cooperative movement in the State and particularly the eastern states, hilly areas and tribal areas. Effective steps are also being taken to bring about the integration of short-term and long-term credit and various measures for helping the weaker-section of the society.

VII. BRIEF REVIEW OF THE WORKING OF DIFFERENT TYPES OF COOPERATIVE SOCIETIES

A. Primary Credit Societies

(i) Primary Agricultural Credit Societies.

(ii) Primary non-agricultural credit societies.

(i) Primary Agricultural Credit Societies.

Numerically, Primary Agricultural Credit Societies continued to occupy a predominant position in the cooperative credit structure. During 1979-80 their number declined from 95,782 to 94,592 owing to reorganisation programmes undertaken in various states for retaining viable units through

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a process of amalgamation/liquidation of weak societies, of these, 88,464 societies were active, while the remaining 6,128 societies were dormant. The active societies whose area of operation extended over 5,44,887 villages covered 93 per cent of the villages in the country. These societies had 55 million members which showed an increase of 2 million over the previous year, although 20 million or 36 per cent actually borrowed from the societies during 1979-80, same as in the previous year.

The working capital of the societies showed an increase of Rs. 484 crores (from Rs. 3,093 crores as on 30th June, 1979 to Rs. 3,577 crores as on 30th June, 1980) which mainly consisted of Rs. 69 crores in owned funds, Rs. 34 crores in deposits and Rs. 317 crores in borrowings from higher financing agencies and Rs. 64 crores in other liabilities and undistributed profits.

(ii) **Primary Non-Agricultural Credit Societies**

The Primary non-agricultural credit societies are generally operated in urban and semi-urban areas. These societies are formed by the urban banks, salary earner's societies and other credit societies. As recommended by the Committee on Urban Co-operative Banks coming under the purview of the Banking Regulation Act, 1949 (as applicable to co-operative societies) and Primary non-agricultural credit societies outside the purview of the Act are being separately dealt in this publication. There were 1,203 primary co-operative banks coming under the purview of the Banking Regulation Act, 1949 (as applicable to co-operative societies) as on 30th June, 1980. The non-agricultural credit societies

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outside the purview of the Banking Regulation Act comprising urban banks, employees' credit societies (including salary earnest societies) and others numbered 20,357 at the end of June, 1980.

B. Cooperative Banks

(i) State Cooperative Banks

(ii) Central Cooperative Banks.

(i) State Cooperative Banks

During the year 1980, the total number of state cooperative banks in India was 27. All the states except a few had a state cooperative bank. The number of membership during the year 1980 consisted of 12,574 banks and societies and 10,881 individuals and institutions other than cooperatives. During 1979-80, their working capital increased by 11.7 per cent.

(ii) Central Cooperative Banks

The total number of central cooperative banks was 337 at the end of June, 1980. The total number of branches and offices during the period 1979-80 was 385. Their working capital in 1979 - 80 was also increased from Rs. 422 crores in 1978 - 79 to Rs. 494 in 1979 - 80. During 1979 - 80, their loans and advances also increased to Rs. 2,695 crores. Again the loans and advances outstanding also increased from Rs. 2,328 to Rs. 2,617 crores in 1980.
C. Land Development Banks

(i) Central Land Development Banks.

(ii) Primary Land Development Banks.

(i) Central Land Development Banks

During 1980, the number of central land Development Banks remained unchanged at 19. And their membership comprised 2,530 Primary Land Development Banks and societies and 3 million individual members as on 30th June, 1980.

(ii) Primary Land Development Banks

At the end of June, 1980, the total number of Primary Land Development banks was 896. Among these societies 605 were located in Andhra Pradesh, Karnataka and Tamilnadu. The membership of the primary Land Development Banks was 6.2 million and their working capital was Rs.1,130 in 1980.

D. Non-Credit Societies

At the close of 1978-79, the number of non-credit societies was 1,79,368. The total membership of these Societies in the same year was 26.9 million and their aggregate working capital amounted to Rs.-5,462 crores. The important types of non-credit societies are -

(i) Marketing Societies

(ii) Processing Societies.
(i) **Marketing Societies**

(a) **State Marketing Federation:** At the state level, there were 30 federations/societies consisting of 21 general purpose marketing societies, one cotton marketing society, two fruits and vegetables marketing societies, one sugarcane supply marketing society and five societies dealing in other specialised agricultural commodities. These state level federations/societies had a membership of 6,565 societies and 452 growers and others as members, besides 1851 nominal members.

(b) **Central Marketing Societies:** At the end of 1977-78 the number of central marketing societies (excluding sugarcane supply societies at district and regional level, remained the same as at the end of 1975-76 viz., 172. A sizeable number of such societies were functioning in Uttar Pradesh (63), Maharashtra (26), Gujarat (29), Andhra Pradesh (22). The Central/societies functioned as intermediaries between the apex federation on the one hand and the primary marketing societies on the other and helped in co-ordinating activities of the letter, besides undertaking marketing of agricultural produce and supply and distribution activities.

(c) **Primary Marketing Societies:** The number of primary marketing societies (excluding sugarcane supply societies) increased from 3, 151 as at

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11 ibid. Chapter-preface.
13 ibid.page 150.
the end of 1975-76 to 3,344 as at the end of 1977-78. The number of primary marketing societies in 1978-79 was 3,632. The membership of these societies as on 30th June, 1929 comprised 1,55,597 societies, 30,66,585 individuals as regular members and 3,17,343 as nominal members.

The working capital of the societies amounted to Rs.372 crores as on 30th June, 1979 as against Rs.357 crores as on 30th June, 1978.

Out of 3,970 marketing societies (state, central and primary) as many as 2598 or 65.4 per cent had actually undertaken marketing of agricultural produce.

(ii) **Co-operative Processing Societies**

(a) Cooperative sugar factories.

(b) Cotton Ginning and Pressing Societies.

(c) Other agricultural processing societies.

(a) **Co-operative Sugar Factories**: The number of co-operative sugar factories increased from 158 at the end of June 1974 to 164 at the end of June 1975 and further to 190 at the end of June 1976. But at the end of June 1977 the number of sugar factories decreased from 190 to 188.

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15 Review of the co-operative movement in India 1974-76. Reserve Bank of India. Page 166.
the statewise distribution of licensed sugar factories was as follows: Maharashtra (69), Uttar Pradesh (22), Andhra Pradesh (18), Gujarat (15), Karnataka (14), Tamilnadu (10), Haryana and Punjab (4 each), Assam, Himachal Pradesh, Kerala, Madhya Pradesh, Orissa (2 each), Rajasthan, Goa, Daman and Diu (1 each).

(b) **Cotton ginning and pressing Societies:** These cooperatives were developed mostly during 1965-66. The number of cotton ginning and pressing societies which was 204 at the end of June 1974 increased to 233 in 1978-79. The largest number of such cooperatives was in Gujarat followed by Maharashtra, Karnataka, Rajasthan, Punjab, Andhra Pradesh, Assam, Madhya Pradesh and Meghalaya.

(c) **Other Agricultural Processing Societies:** The number of other Agricultural Processing Societies rose from 641 as at the end of 1975-76 to 749 at the end of 1976-77. But the number declined to 619 at the end of 1977-78 and further declined to 502 at the end of 1978-79. Their total membership consisted of 7,096 Primary Agricultural credit societies and 1,47,831 individuals. The societies processed goods and commodities worth Rs.11.1 crores.

D. **Other Agricultural Non-Credit Societies:**

(a) Farming Societies.
(b) Irrigation Societies.
(c) Fisheries Societies.

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16ibid Page. 166.
(a) Farming Societies

The total number of cooperative farming societies increased from 9,107 in 1975-76 to 9,837 in 1976-77 but decreased to 9,697 in 1977-78. Both types of Societies viz. joint farming/collective farming continued to exist in practically all the states except in Bihar where only joint farming societies were functioning.

(b) Irrigation Societies

Though the number of irrigation societies declined at the end of June, 1977, they again increased at the end of June, 1978. On June 1978, it numbered 3,252 and on June 1979, it was 3,267.

(c) Fisheries Societies

The total number of fisheries societies which stood at 4,429 in 1977-78 increased to 5958 in 1979 and the membership of these societies was 5,41,434 in 1977-78, on the other hand the number of fisheries societies which stood at 4,715 in 1973-74 decreased to 4,138 in 1975-76.

E. Industrial Societies

(a) Weavers' Cooperative Societies.

(b) Other Industrial Societies.

(c) Spinning Mills.
(a) **Weaver's Cooperative Societies:** As on 30th June, 1979 apart from one society at the national level, viz. the All India Handloom Fabrics Marketing Cooperative Society Ltd., Bombay, there were 24 Apex Weaver's Societies, 91 Central Weaver's Societies and 14,973 Primary Weaver's Societies. On the other hand on 30 June, 1972, there were 12,272 Weaver's Societies (Khadi, handloom and powerloom) of which 25 were Apex Societies, 98 were central societies and 12,149 were Primary Societies.

(b) **Other Industrial Societies:** As on 30th June, 1979 there were 16 state level societies, 74 central societies and 30,277 Primary Industrial societies. On the other hand there were 18 state societies, 106 central societies 33,612 Primary Industrial Societies at the end of June, 1972.

(c) **Spinning Mills:** At the end of June 1978-79 there were 70 cooperative spinning mills in the country. In 1971-72 the number of cooperative spinning mills was 61. The value of their production on 1978-79 was Rs.142.1 crores whereas it was Rs.44.35 crores in 1971-72.

F. **Other Non-Credit Societies**

(a) Consumer's Stores.

b) Department Stores.

(c) Housing Societies.

(d) Multi Unit Societies.
(a) **Consumers' Stores:** At the end of June'79 the number of wholesale (State and district) stores are 457, whereas the number of wholesale (state and district) stores was 466 at the end of June 1976.

The number of Primary Consumers Stores which was 15,093 at the end of June 1976 was 15,347 on 30 June 1979. During the year 1977-78 as many as 5,684 stores were dormant.

(b) **Department Stores:** There were 220 department stores having very large retail sale units, selling of consumer articles.

(c) **Housing Societies:** At the end of June 1976, there were 17 state level housing societies and during 1978-79 there were 20 state level housing societies with a working capital of Rs.315.3 crores.

The number of Primary housing societies was 27,629 in 1975-76 and in the year 1977-78 it was 29,593.

(d) **Multi Unit Societies:** During the year 1978-79 there were 90 multi unit societies. The value of the Production of these multi unit societies during the year 1978-79 was Rs.33 crores and their sale amounted to Rs.37 crores.

**MULTIPURPOSE SOCIETIES**

During 1937, the Agricultural Credit Department of the Reserve Bank of India, recommended the organisation of multipurpose cooperative societies (MPCS). "Multipurpose society" imply a society which caters to
all needs of the farmers and not just their credit requirements. The government policy of revitalising the credit societies was one of the important reasons for the growth of multipurpose societies in Assam, Bihar, Karnataka and U.P. These societies were entrusted with the task of distribution of essential commodities to the villagers and with marketing of the surplus crops from farmers. But due to poor performance of the multipurpose societies the large sized societies were established during the second Five Year Plan, which also could hardly continue for 3 years. In 1959, the National Development Council, which is the highest decision making body for planning in the country, decided to stop further organisation of such societies. Accordingly, the Government of India advised the states as per the future policy of the cooperative development to convert the village societies to service societies which would cover all families in the village, agricultural and non-agricultural, and would render a comprehensive range of services to the members.

Again in 1973, following the recommendations of the National Commission on Agriculture under the Chairmanship of Shri Nathu Ram Mirdha, the Government of India started the scheme of Farmers’ Service Cooperatives (FSS) with a view to provide farmers a full package of services and technical guidance needed by the smaller farmers. By the end of June, 1979, there were 1774 farmers service societies in India, largest number being in Assam and lowest in Karnataka. In Assam instead of Farmers service societies FSS, the Gaon Panchayat level multipurpose societies were organised as recom-
mended by the National Commission on Agriculture, each having an area of operation co-terminus with that of Gaon Panchayat, for rendering package of services including supply of agricultural credit, consumption credit, inputs, distribution of essential and other consumer articles, marketing of agricultural produce, maintenance of agro-custom services etc. The details about the multipurpose societies are discussed in Chapter-III.