SECTION : IV
CHAPTER XII

RURAL CO-OPERATIVE

* Importance
* Meaning
* Progress after movement
* After independence
* Progress of Co-operative in Assam
* Transformation of rural society
* Growth function
* Weaknesses of the Co-operative movement
* Performance of Co-operative at study area.
CHAPTER - XII

RURAL CO-OPERATIVE

Importance:

In a developing country rural population are facing the problems of food shortage, inflation, unfavourable market, fragmentation of land, short of capital, short of credit and various other problems. Co-operatives are increasingly being recognised as an answer to meet these challenges. Rightly, therefore co-operation can play an important role in the rural development process. "Co-operate or perish" is the slogan for the co-operative movement in India to be adopted in the circumstances in case it has to make a real dent in the rural masses and play its role as a true friend in the need of the poor and destitutes. In fact, long back in 1927, the Royal commission on Agriculture recognised the role of co-operative movement in India and observed that "if co-operation fails, there fail the last hope of rural India." In 1948, the Agricultural Finance sub committee reiterated that the speed of co-operation would provide the best and most lasting solution for the problem of agricultural credit in particular and that of rural economy in general. It is in recognition of this that the co-operative movement has been receiving all encouragement from the Government of India since independence.
Co-operation refers to an association of weak, poor, and powerless masses who can enjoy those benefits which are open only to powerful and rich. Draft Five year plan observes, "Co-operation represents institutionalisation of the principle and impulse of mutual aid. It has the merit of combining freedom and opportunity for the small man with the benefit of large scale management and organisation". Co-operative society is a voluntary organisation and members of this organisation can enjoy equal rights and have equal responsibilities. Its main motive is to provide services to its members and it does not work for earning profit.

Views of "co-operation" are not similar according to the different writers.

According to Mr. C.R. Fray "A co-operative society is an association for the purpose of joint trading, originating among the weak, and conducted always in an unselfish spirit, on such terms that all who are prepared to assume the duties of membership may share in its rewards, in proportion to the degree in which they make use of their association".

According to Dr. R. Phillips "The co-operative association is an association of firms or households for business purpose an economic institution through which
economic activity is conducted in the pursuit of economic objectives.\textsuperscript{3}

Professor Paul Lambert, an authority on co-operation, defines co-operative societies as "an enterprise formed and directed by an association of users, applying within itself the rules of democracy and directly intended to serve both its own members and the community as a whole."\textsuperscript{4}

Report of the inquiry on co-operative enterprise in Europe States "A co-operative enterprise is one which belongs to the people who use its services, the control of which rests equally with all its members and the gains of which are distributed in proportion to the use they make of its services".

The Indian co-operative societies Act 1912, considers "a co-operative society is a society which has its object the promotion of the economic interests of its member in accordance with co-operative principles".

**PROGRESS OF THE MOVEMENT:**

Co-operative movement began in the form of credit movement to support cheap credit to minimise the problem of credit. The co-operative society was started in Punjab as early as 1891 for controlling the common land of the
village for the benefits of the co-sharers and functioned until 1922. The Madras presidency, even before the movement was efficiently launched, had organised co-operative undertakings in the form of the indigenous "nidhis" or "Mutual loan association".

The idea of co-operative took concrete shape in India for the first time in 1904 when the co-operative credit societies Act, 1904 was passed. Initially co-operative were looked upon by the Government as useful agencies to tackle the problem of meeting the credit needs of agriculturists who, in the absence of any institutional arrangements, were forced to go to private money lenders for meeting all their financial requirements. The benefits of co-operative organisation was also made available to the non-agricultural sections of the community, such as artisans, handicraftsmen, small shopkeepers etc, both in the rural and urban areas.

After the World War I, reforms Act 1919 was introduced which made co-operation a provincial subject and was placed under the charge of a Minister. Economic prosperity between 1919 and 1929 facilitated expansion and increase of member of co-operative societies.

However, the great depression gave a tremendous setback to co-operative activity. The Royal commission on agriculture (1927) and the central and provincial banking
enquiry committee (1929) indirectly made recommendation for their improvement. Reserve Bank of India in 1937, recommended the establishment of multipurpose co-operative societies which could look after the whole life of the agriculturists.

The movement again picked up after the second world war and between 1938-39 and 1945-46, the increase in the number of societies, the number of member and the working capital rose respectively 41 percent, 70 percent and 54 percent.

AFTER INDEPENDENCE:

After independence, the independent India adopted a constitution with the principle of "Equality of status and opportunity". Further in its directive principles of state policy it was laid down that the state shall strive to prompt the welfare of the people securing and protecting as effectively as it may a social order in which justice, social, economic and political shall inform all the institutions of the national life.

It further laid down that the state shall direct its policy towards securing among other things:

(a) Adequate means of livelihood equally in respect of men and women.
(b) That the ownership and control of the material resources of the community are so distributed as best to sub-serve the common good.

(c) That the operation of the economic system does not result in the concentration of wealth and means of production to the common detriment.

In furtherance of these principles, the government of India set up the planning commission in March, 1950 to formulate the plan for the most effective and balanced utilisation of the country's resource for securing increased production and increased employment and thereby to promote a rapid rise in the standard of living of the people.

The planning commission regarded co-operation as an "Indispensable instrument of planned economic action in a democracy". The commission stated "when individualism was the order of the day, co-operation represented a defensive act of association on the part of individual citizens. But with the advent of principle of the social regulation, the co-operative societies which from their commencement in this country have been socially sponsored, and supported, came to occupy a more positive role. In a regime of planned development co-operation is an instrument, which while retaining some of the advantage of decentralisation
and local initiative will yet serve willingly and readily the overall purpose and directives of the plan".5.

It was considered that co-operative would be helpful particularly in the decentralised sector of the economy such as agriculture, animal husbandry, village industries, small industries etc. The movement got a fillip after the Nagpur Resolution of the All India Congress Committee (AICC) in 1959, which laid down the policy and programmes of the government in most comprehensive manner. The resolution contemplated that the village co-operative should promote for welfare of their member by introducing progressive farming methods and improved techniques of cultivation, developing animal husbandry and fishery and encouraging cottage industries.

The publication of the Rural credit survey report in India was the most important landmark in the history of the development of co-operative movement. The committee, on making comprehensive survey, found that arrangement for supply of credit for agriculture, the major sector of the economy were far from satisfactory. It was necessary to build up strong and efficient institutional arrangements. Co-operatives were the most suitable agencies. But their performance in the past had not been satisfactory mainly because they could not mobilise the needed resources internally nor were they adequately supported externally.
by any agency. The committee made a number of recommendations for strengthening the co-operative. The most significant of the recommendation was that the state should offer to participate in the share capital of the co-operatives in order to strengthen their base and thereby to enable them to raise more resources to provide more efficient service to the agriculturists. These recommendations, accepted both by the state and co-operative movement, were made the basis for formulating plan programmes of integrated development of co-operative in the field of agricultural credit, marketing, storage and processing of agricultural produce. In various fields government extended preferential treatment to the co-operatives as against the private unit. This enabled the existing co-operatives to be organised in a wide variety of economic activities besides the traditional field of agricultural credit such as Sugar factories, spinning mills, oil mills, fertilizer, dairy plant etc.

Progress of co-operation in Assam:

In the year 1949, a new legislation was adopted in Assam and since then greater emphasis were given in the matter of Rural credit. This new legislation was in the name of the Assam Co-operative Societies Act, 1949 was passed by Assam Assembly for the purpose of thrift, self
help, mutual aid and creating the quality of credit worthiness among agriculturists, artisans and other persons with common economic needs so as to bring about a higher standard of living, better business, better methods of production, equitable distribution and exchange.

Under this Act, the state government may appoint a person to be Registrar of Co-operative societies for the province or any portion of it for the registration, supervision, assistance, counsel and control of registered societies and for the development of the co-operative movement and control over all co-operative education. The liability of a society of which the primary object is the creation of funds to be lent to its members and of which the majority of the members are agriculturists nor artisans, and of which no members in a registered society shall be unlimited and the member of such a society shall be on its liquidation be jointly and severally liable for and in respect of, all obligations of such a society.

The present set up of Agricultural Credit Societies was adopted in the year 1973, when a Gaonpanchayat level society was organised to cover the area of a gaon panchayat. These societies are entrusted with the work of rural credit for agricultural and development of cottage industries, procurement of agricultural produce and distribution of essential commodities. And since then
these societies are serving the masses in credit, production, procurement and distribution.

Transformation of rural society:

(a) Rural co-operation shift incomes from rentier (money lender) and trader classes to the producer and the consumer sections in the society.

(b) Rural co-operative increase the efficiency of resources use and help use of idle resources within the community. This is the growth function.

(c) Rural co-operative enable community ownership of productive assets without tears. This is the socialisation function.

(d) Rural co-operative widen the opportunities for control over productive assets. This is the democratic management function.

(e) Rural co-operative help in implementation of state policy in relation to distribution of growth, socialization and democratic management. This may be called the agency function. Co-operative can act against the money lender and the trader in respect of loan and commodity market and thus help to the agriculturists.

The degree of success depend upon the following factors.

(i) The market structure within which the co-operative operate.
(ii) The degree of external support that the co-operative receives.

(iii) The degree to which the self interest of the patron members covers the goals of the co-operative.

The market structure however change with the growth of commercialisation and with integration of village with external markets. The village money lender and the village trader build links with the external markets, and becomes part of the network of private trade and thus control over the village market. In this situation the peasant co-operative should gain strength with the institutional support externally. In the absence of this even a co-operative which has achieved success in the first stage might fail to respond to the new situation and may cease to be a going concern.

The second stage of commercialisation is characterised by market transformation in the nature of inputs along with increase in the growth of marketed output. The farm business of the patron members changes radically. The village social structure also changes. It should build up links with the market centre for inputs and outputs. The character of the co-operative should change.
The shift from the second stage of commercialisation to capital intensive and livestock oriented agriculture calls for change in the size, structure and function of the co-operatives.

In traditional agriculture it is the small village co-operative that confronts the small village money lender or the merchants. Village money lender or the merchants use the extra economic power hence alternative agency is essential to provide fund to the peasants at the legally fixed minimum.

The co-operative cannot perform its function of trading effectively if market prices fluctuate widely. Success of co-operative depends upon the willingness and ability of the state to undertake this function. Creation of statutory marketing agencies protects the monoplistic practices performed by middlemen.

Beyond the commercialisation stage in which capital intensive agriculture, dairying etc become more prominent the co-operative needs an extensive network of units connecting the farmers with the terminal markets and the manufacturing units. Co-operative and state will have to act together to achieve the distribution function. In the absence of role of state in respect of functioning of co-operative, the co-operative will cease to work. The state
machinery units like integrated milk supply units or the agro industries to undertake the integration function than cooperatives.

Growth function:

The shift of incomes in favour of the producer through price (a) by reducing the cost of credit (b) by reducing the cost of input (c) by acquiring a more favourable price for the product could give a stimulus to increased production on the farm. Apart from this, growth is promoted by -

(a) More efficient resources use through economics of scale.
(b) Use of idle resources.
(c) Shift to a better technology.
(d) Increase in the rate investable surplus in the rural community.

In the transition from traditional to commercial agriculture the need for altering the physical and institutional environment within which agriculture operates, is great. The role of the state is far great. State agency could undertake the tasks of development of better technology, the demonstration of its superiority and its extension. On the basis of these condition, the cooperative could help by managing the supplies of inputs.
and to credit to farmers. Cooperative is not the origin of growth. The stimulants to growth are located outside the orbit of the cooperative.

Scale of economics are achieved through a process of horizontal and vertical integration of village cooperative. However, the success in this direction will again depend upon the motivation and perception of cooperative leadership and its abilities to manage desirable relationship between federal and village units. But horizontal and vertical integration are very often resisted by local leadership on political grounds, and where they are initiated it is only under severe strains imposed by a private monopoly or under threat or subsides from the state.

Socialisation without tears:

The redistribution and welfare functions are largely the concerns of the state. In developing economics cooperatives are assigned a much bigger role. They are considered to protect the weaker section.

Agency function:

The role of state in relation to rural development has considerably widened. A number of corporation viz, the food corporation of India, the fertilizer corporation of India, the Agro Industries Corporation, the National Seed
Corporation have been created. The banks have been nationalized. The operation of the integrated Milk supply units set up by the state but dependent for bulk of its supplies upon cooperative milk supply societies in the villages is a specific example of the role that cooperative could play in the process of development. The Nationalised Banks also could play a role corresponding to state integrated milk supply units by serving the credit needs of the village through the village cooperative credit society. The role of cooperative as an agency for integrating the small production units with the state corporation who have the major responsibility for the distribution, growth and socialization function in the initial process of growth.

Weakness of the cooperative movement:

The main weakness according to the cooperative planning committee were:

(i) The Laissez fair policy followed by the state.
(ii) Mass illiteracy
(iii) Small size of holding
(iv) More reliance on honorary service
(v) Inefficient management
(vi) Failure of the movement to take life of the individual as a whole.
Some of the main weaknesses of cooperative movement are noted.

(a) Non-viable unit:

According to the All India Rural Credit Committee "A large number of primary agricultural societies are neither viable nor even potential viability viable and must be regarded as inadequate and unsatisfactory agencies for dispensing production oriented credit".

(b) Mounting overdues:

Recovery of loan is not satisfactory as a result mounting overdue incooperative credit institutions. The Report of the working group co-operative for Fifth plan says "Overdues is the most important ticklish problem facing the cooperative credit institutions. If the institutional credit agencies are to continue to provide adequate financial support for agricultural development, the creation of a sense of responsibility among the cultivators in regard to timely repayment of loans is of utmost importance. The grave problem of overdues affect not only for interests of the defaulters themselves, creditors and the very cooperative movement itself. Important reason responsible for overdues are:

(i) Natural calmity (ii) Lack of supervision on the utilization of loan (iv) absence of linkage between credit and
marketing and (v) illiteracy, low level of education and lack of proper leadership among rural population.

(c) Dormant societies:

The co-operative are run not honest and devoted workers, politics entered into it and marred it functioning in an efficient way, the problems arose on the management side as well. The workers and other officials did not have proper training nor even the drive to popularise this movement on mass scale and the result was that many societies became defunct soon.

(d) Unable to attract deposits:

Deposits have a twofold aims. It encourages thrift and on the other they help to divert idle money and thus help to utilise productive purpose. Overall performance in raising deposit has been extremely unsatisfactory.

(e) Delayed credit:

Credit are received not in time as a result loans are not utilised in proper place. Very often loans are diverted to other unproductive purpose.

(f) Diversion of cooperative credit:

The very success of the cooperative movement, to a
a large extent depends on the utilization of productive credit. Such productive loans are often diverted to unproductive purpose.

(g) Managerial inefficiency:

There are instances of misuse and inefficient use of resources leading to difficulties for members and consumers in general.

Performance of co-operative at study area:

In the study area at Barpeta and Nagaon district it is observed that the performance of co-operative is not satisfactory. There are instances of overdues of credit among the members, primary societies are not viable, overall performance in raising deposit is not satisfactory, though credit are disbursed are not received by the members in times, very often credits are diverted from productive to unproductive uses.

It is also observed among the sample households among the sample villages of Barpeta and Nagaon district that cooperative societies are formed, yet their performance is not satisfactory. Sample households of both the districts raised objection that loans are not found in time. Very often loans are disbursed in nonproductive purpose. Loans are controlled by some dishonest persons, political biasness are also observed.
Field management committees of both the districts are formed and also found among the sample households of sample villages. The field management committees are found defunct or dead even no function. Though there is provision of powertiller, fertilizer, tools and machinery at subsidised rate, yet the small and marginal farmers are deprived.

Rural co-operative in the study area is complete failure. Co-operation has nothing to do to the masses viz small and marginal farmers.

The rural co-operative in its present form is not suited to meet the challenge faced by households of the study area. The position is similar throughout Assam, as a result a modification or new form is required to meet the problem faced by the households and hence, some experiences of other countries of the world are required to be examined in the following noted points to change the performance of rural co-operative.

China's transition from a small peasant economy towards a collective agriculture is usually divided into four stages.  

(a) Mutual aid team: The grouping of small peasants into mutual aid teams facilitated the initial task of utilising available mean of production more effectively.
(b) Elementary cooperative: Simple credit or marketing cooperative had been set up even before 1953 to replace the middle man, but the big step was to set up producer's cooperatives in which land could be pooled for joint or collective cultivation.

(c) Advanced cooperative: This stage was more significant than the second, because in advanced cooperative, the entire income of the cooperative was distributed among members on the basis of the work done for the cooperative and not on the basis of the land or implements contributed by the members. The advanced cooperative were also much larger in size and were formed by amalgamating ten, fifteen or twenty elementary cooperatives. The most important prerequisite for the sources of elementary and the advanced producers' cooperative in China was the equal distribution of land after the revolution.

(d) People's communes: While the advanced cooperatives had achieved the important step of land, they were still too small too size to undertake larger irrigation schemes or build many industrial units. At the same time, there was the need to credit a unit of rural development that could go beyond agriculture and manage all the economic administrative units into people's communes.
Israel is perhaps another example of rural development. Land in the Israeli Kibbutz is collectively owned, income is equally distributed and all the collectives are encouraged to diversify within agriculture and into small industries. There is no exploitation of rural population, opportunities for social services and social welfare have been constantly expanded. The rural economy is also well integrated with the rest of the economy.

Japan's example clearly demonstrates that even privately owned small farms can be quite productive in terms of agricultural yields, provided the efforts of small farmers are actively supported by government or cooperative institutions and by the industrial sectors.

A very interesting example of institutional as an essential prerequisite for rural development is Tanzania's approach. Tanzania's efforts to evolve a pattern of rural socialism based on the concept of Ujamaa villages represent an outstanding example of a non violent transition to an egalitarian and self reliant socio economic system in which the primary emphasis is on organising a rural population to help themselves, first by building rural settlement to live together, then by providing essential social services for everyone and then gradually moving to collective farming and technical improvement in agriculture.
From the experiences of other countries, the problem of rural co-operative of study area can be explained that in study area among the sample households, the pattern of landholding is scattered and small plot which are not collectively owned. Collective management of small plot of land with other facilities like irrigation, credit, machines and tools, seeds, fertilizers can help to boost up production. Payment according to work and not according to size of plot. Thus institutional finance and consolidation of holding in a collective manner can help the small and marginal farmers to derive benefits. This required political and social consciousness otherwise Rural cooperation will fail to bring benefit.

To sum up, Rural cooperation is required to provide material help to the farmers but in practices it has brought nothing, hence radical change with the experiences of some other countries of the world is required to shape the rural co-operation in study area more particularly and state in general.
NOTES AND REFERENCES

1. Draft Fifth year Plan Vol. II P 76
2. Fray C.R. The Law and practices of Co-operation.
5. First Five year plan, 1952, P. 163