CHAPTER - I

INTRODUCTION

Among the variety of doctrines, which have emerged to deal with social and economic ills, no doctrine has received as much attention, thought and experimentation as the Co-operative doctrine. One great merit of Co-operative doctrine is that it combines within itself, the most enduring principles of Democracy and liberal Socialism. Co-operation, in fact, is considered to be a panacea for all economic evils of both capitalism and socialism. It promotes self-help and mutual help and eliminates exploitation of man by man.

Co-operation as a form of business organisation has been, therefore, accepted by almost all countries, big or small, capitalist or socialist, developed or under-developed in the world. With the result, the co-operation has come to serve a wide range of rural, tribal and urban population, in different spheres of economic activities.

Co-operation means working together with others towards a common end. The term "Co-operation" in the modern sense is

1 Chinchankar P Y & Namajoshi M B. - Co-operation and Dynamics of change, Somaia Publications Ltd Bombay, 1977, P 7
viewed as a specialised and distinct type of organisation Mr Calvert, therefore, defines it as "a form of organisation wherein persons voluntarily associate together as human beings on the basis of equality for the promotion of economic interest of themselves."  

Co-operation as a form of organisation has certain essential characteristic features, which distinguish it from other forms of organisations. These features are commonly described as principles of Co-operation. These principles were not born out of mere abstract thinking but practical action. The Commission on Co-operative principles appointed by the ICA (International Co-operative Alliance) in 1966, under the chairmanship of Prof D G Karvey, has reformulated the following principles.

(1) Open and voluntary membership,
(2) Democratic control,
(3) Limited interest on share capital,
(4) Equitable distribution of surplus or patronage dividend,
(5) Co-operative education, and
(6) Co-operation among co-operatives

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2 H Calvert, "The Law and principles of co-operation", 1921 P.11.

3 Dubashi, P R -Principles & Philosophy of co-operation, National Co-operative Union of India, P 9.
The real co-operative movement however, began with the Owenism of early 19th Century. Out of Owenism came the ideals, doctrines, myths and much of inspiration, which are associated with the co-operative movement.

CO-OPERATIVE MOVEMENT IN INDIA:

Co-operation occupies an important place in the Indian economy today. Perhaps in no other country in the world is co-operative movement as large and diversified as in India. The co-operative movement in India is so large and wide-spread in the country that it consists of over 3 lakhs different types of co-operatives and over 16 per cent of Indian population as its membership. The movement has left almost no sector of the economy untouched. Today co-operation has achieved a considerable progress in various fields of economy such as rural and urban credit, marketing and processing, distribution of consumer goods, dairy, poultry, fishery, sericulture, cottage and small scale industries, handloom, housing, etc.

The co-operative movement was introduced in India with the organisation of credit co-operatives after passing the Co-operative Societies Act in 1904, with the main object of making a break-through in the stagnation of poorer classes, especially the vast majority of agriculturists, who were groaning under
the heavy weight of indebtedness, and also to accelerate the pace of agricultural production.

Though the co-operative movement was introduced in 1904, the impact of the movement on the development of the rural economy during the pre-independence period was not significant, due to the absence of any comprehensive plan for rural development. However, with the launching of the Five-Year Plans, co-operation came to occupy an important place in the National Economic Policy. The plans envisage co-operation as a major form of organisation in many branches of economy, particularly in the rural sector. The First Five Year Plan described the co-operative movement as an indispensable instrument of planned action in a democracy. The First Five Year Plan stated:

"The principle of mutual aid, which is the basis of co-operative organisation, and the practice of thrift and self-help, which sustain it, generates 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 co-operative societies, can not only find the solutions of individual problems but also become better citizens."  

4 I Five Year Plan - p 163
The real history of co-operative movement in India started only after the submission of the Report by the All India Rural Credit Survey Committee in 1954. With the implementation of the recommendations of this Committee, the movement got further fillip.

A systematic and integrated programmes for the development of co-operatives in the fields of Agricultural credit, marketing and processing of agricultural produce and supply of agricultural inputs were included and developed in the second and the subsequent Five Year Plans. The role of the co-operatives in the planned economic development of the country has been succinctly defined in the Third Five Year Plan Document in the following terms:

"In the planned economy pledged to the values of socialism and democracy, co-operation should became progressively the principal basis of organisation in many branches of economic life, notably in agriculture and minor irrigation, small industries and processing, marketing, distribution, supplies, rural electrification, housing and construction, and the provision of essential amenities for local communities. Thus the needs of the peasant, worker and consumer, become a vital factor for social stability, for expansion of employment opportunities and for rapid economic development."\(^5\)

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<table>
<thead>
<tr>
<th>Years</th>
<th>Total No. of societies</th>
<th>Total membership (in lakhs)</th>
<th>Total working capital (in crores)</th>
<th>Pre-independence progress</th>
</tr>
</thead>
<tbody>
<tr>
<td>1906-07</td>
<td>843</td>
<td>91</td>
<td>137</td>
<td></td>
</tr>
<tr>
<td>1911-12</td>
<td>25132</td>
<td>199</td>
<td>276</td>
<td></td>
</tr>
<tr>
<td>1918-19</td>
<td>97752</td>
<td>173</td>
<td>451</td>
<td></td>
</tr>
<tr>
<td>1920-29</td>
<td>996</td>
<td>8.3</td>
<td>1312</td>
<td></td>
</tr>
<tr>
<td>1928-29</td>
<td>122</td>
<td>8.3</td>
<td>2800</td>
<td></td>
</tr>
<tr>
<td>1945-46</td>
<td>9160</td>
<td>469</td>
<td>32749</td>
<td></td>
</tr>
</tbody>
</table>

**Source:** Figures from SI No 1 to 12 are taken from the Statistical Statements relating to Co-operative Movement in India credit part A and non-credit part-B RBI/NABARD for all the years and Nos 13 and 14 taken from Important Items Credit and Non-Credit Co-operative Societies, NABARD, Bombay.
The figures in Table I reflect the impressive record of the performance of the Co-operative Movement since beginning in India.

The above Table I indicates that the total number of societies increased from 843 in 1906-07 to 3.48 lakhs in 1987-88. However, the number of societies was reduced to 2.67 lakhs in 1983-84 due to the re-organisation of PACSs on large scale. The total number of membership of these co-operatives increased from 91,000 in 1906-07 to 15.04 crores in 1987-88. Similarly, the total amount of working capital increased from Rs 8.24 crores in 1906-07 to Rs 53.880 crores in 1987-88.

CO-OPERATIVE MOVEMENT IN KARNATAKA:

Though the co-operative movement in Karnataka dates back to 1905, it can be studied more systematically only after 1956, during which the present State of Karnataka was re-organised by the merger of 5 areas from the erstwhile Bombay, Mysore, Hyderabad, Madras and Coorg states. The total number of all types of societies in Karnataka was increased from 14,871 in 1960-61 to 25,187 in 1987-88. Similarly, the membership of these societies increased from 24.33 lakhs in 1960-61 to 109.80 lakhs in 1987-88. The working capital increased from Rs 103.43 crores in 1960-61 to Rs 291.581 crores in 1986-87. The total loans advanced increased from Rs 83.55 crores in 1960-61 to 448.00 crores in 1986-87. This can be seen in the Table I.
TABLE 1.2 : PROGRESS OF CO-OPERATIVE MOVEMENT AT A GLANCE IN KARNATAKA
(Rs. in crores)

<table>
<thead>
<tr>
<th>Sl No</th>
<th>Particulars</th>
<th>Progress under the planned era</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>II Plan</td>
</tr>
<tr>
<td>1</td>
<td>Total No of societies</td>
<td>14871</td>
</tr>
<tr>
<td>2</td>
<td>Membership (in lakhs)</td>
<td>24 33</td>
</tr>
<tr>
<td>3</td>
<td>Total share capital (Rupees)</td>
<td>17 38</td>
</tr>
<tr>
<td>4</td>
<td>Total deposits (Rupees)</td>
<td>22 00</td>
</tr>
<tr>
<td>5</td>
<td>Total working capital (Rupees)</td>
<td>103.43</td>
</tr>
<tr>
<td>6</td>
<td>Total loans issued (Rupees)</td>
<td>83 55</td>
</tr>
<tr>
<td>7</td>
<td>Total loans recovered (Rupees)</td>
<td>67 77</td>
</tr>
<tr>
<td>8</td>
<td>Villages covered</td>
<td>83%</td>
</tr>
<tr>
<td>9</td>
<td>Agricultural families covered</td>
<td>32%</td>
</tr>
<tr>
<td>10</td>
<td>Rural population covered</td>
<td>N.A.</td>
</tr>
</tbody>
</table>

Source: Data collected from the Annual Reports of the Co-operation Department, Government of Karnataka for the concerned years and data collected from the office of the Director of Research and Evaluation cell, Registrar of Co-operative Societies, Bangalore.
Agricultural credit co-operatives constitute a major plank in the overall strategy of agricultural and rural development in the entire structure of Indian co-operative movement, a large number of co-operative societies are agricultural credit societies. Agricultural credit societies are the kernel of the Indian Co-operative Movement. At the end of June, 1988, Indian Agricultural Credit Co-operative Movement consisted of 26 State Co-operative Apex Banks, 351 District Central Co-operative Banks (DCCBs), 90,081 Primary Agricultural Credit Co-operative Societies (PACSs) of all types to distribute short and medium-term loans, and 19 State/Central Land Development Banks with 1576 branches and 910 Primary Co-operative Land Development Banks (PLDBs) to distribute the long-term loans.

During the Year 1987-88, 90,081 PACSs in the country consisting of 8.73 crores membership, covered 91% of the total number of villages and 92% of rural population in the country. About 40% of loans advanced by these co-operatives goes to weaker sections consisting of small and marginal farmers, agricultural labourers and scheduled caste and scheduled tribes people. Out of the total institutional finance for agriculture, a biggest share

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i.e., 78% of short-term loans and 53% of term-loans was provided by the co-operatives during the year 1977-78.\(^7\)

Even after the adoption of Multi-agency Approach for the dispensation of agricultural credit, the share of co-operatives in the total institutional credit for agricultural development was 68% in 1981-82. It, however, came down to nearly 50% in 1984-85.\(^8\)

Karnataka is one of the States where the agricultural co-operative credit movement has made a spectacular progress. In 1988, agricultural credit co-operative movement in Karnataka consisted of 4774 PACSs of all types, 19 DCCBs and Karnataka State Co-operative Apex Bank Ltd., Bangalore to distribute short and medium-term loans and 177 Primary Agricultural and Rural Development Banks and Karnataka State Co-operative Agricultural and Rural Development Bank Ltd., Bangalore to distribute long-term loans. PACSs in Karnataka have covered 100% of villages and 94% of rural population, 94% of agricultural families in the state.\(^9\)

\(^8\) Taken from the Journal 'The Co-operator' Vol.XXIII, No.9 National Co-operative Union of India, No 9 1985, p.182
\(^9\) Annual report, Co-operation Department, Government of Karnataka, 1987-88 p 70-71
Thus, agricultural credit co-operatives have been playing a pivotal role in the development of the rural economy in the country, in general, and in Karnataka, in particular.

Though the Agricultural Credit Co-operatives in recent years have achieved a tremendous progress, they are yet not free from certain inherent defects. No doubt, the quantitative achievements of the movement are quite impressive at the state as well as at national level but the movement as a whole has not stabilised itself and finds itself faced with a number of challenges, which may impair and distort the character of the movement itself. A large number of non-viable and dormant societies running under heavy losses, uneven growth, ineffective management, misappropriation cases, mounting overdues etc., are some of the important weaknesses of agricultural credit co-operative movement in India as well as in Karnataka. Among all the problems, the problem of constantly increasing overdues has become a great curse and a threat to the movement.