INTRODUCTION
CHAPTER - I

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1.0 General:

Co-operation is the noblest idea. It transforms human life to a friendly association for common good of all. It is an association of persons working together towards a common end. It stands for Better farming, better Business and Better living. It signifies a new social Philosophy and new outlook on life for constructive and co-operative endeavour and mankind. The significance of co-operation is also realised by Rig-Veda.

You can work efficiently when you have common purpose, when your hearts are in unison and when you are all the same mind. So that you can do work efficiently well.

Thus co-operation is an 'ism' like any other economic theory but it has no Christ like Marx or a Bible like capital. It is a liberal movement practical in application and idealistic in purpose. It is a character of high value like other values, which are necessary in the daily life of an Individual. Rashtrapeeta Mahatma Gandhi rightly says, “The co-operative movement will be a blessing to India only to the extent, if it is a moral movement strictly directed by men fired with religious favour”.
Co-operative movement therefore, is a social order where man is free from class struggle in order to rise to a full social life. Shri. B. S. Vishwanthan, President, National Co-operative Union of India, New Delhi observed that "Co-operation is much more than a mere commercial system based on arithmetic of profit and loss. It is a system based on human value, democracy, equality and equity, which are so vital for nation’s strength. Strong, viable and self-reliant co-operative movement therefore, becomes a since-qua-non for a strong nation".

Again M. K. Gandhi rightly quoted that “the real ‘swaraj’ will be down when the lowest of the low will be up lifted”.

After realising the significance of co-operation, one has to go at the root of its genesis.

1.1 Origin of co-operative movement.

Origin of co-operation is as old as human society. It is ultimately the group instinct in a man, which enables him to live together, work together and help each other in the time of stress and strain. It means instinct in a man is the basis of domestic and social life. Hence the origin of co-operation is really the history of modern civilisation. That is why the civilisation cannot flourish social and economical progress in all ways without co-operation.
The famous scientist Darwin said that the evolution of man has not been competitive in terms of aggression. However, it has been competitive in terms of co-operation. But man is now considered as more co-operative rather than aggressive. Emerson rightly said, "Co-operation has a more evolutionary force in the development of man than has the better competitive struggle for existence. It transforms human life from the conflict in classes, in the pursuit of common good of all. The co-operation principles can also be traced out from the writings of ancient philosopher named Plato" As again it is found today in the theories of modern scholars and thinkers.

The germs of co-operation could be observed in religious institutions and traditional customs. The working of these institutions and Customs was based on mutual assistance, Joint action, Joint precession and Joint management. The co-operative principles found in thinking and life of people of all ages in the countries of the world.

The co-operation is deeply opted in the economic field after the Industrial Revolution took place in England during eighteenth and nineteenth century. The Industrial Revolution gave birth to the New 'ism' i.e. capitalism is corrupting fingers were forming exploiting strategies for poor and weaker people. Therefore, certain intellectuals, and modern people made their duty to overcome the problems of capitalism by working out ambitious system of social organisation. Due
to capitalism and unjustifiable inequalities, the new philosophy of co-operative movement grew out of the situation of Industrial Revolution. Co-operation thus took birth in different countries among the people with various common interests for performing different economic function. Although the basic ideas of co-operative movement are the same in all over the world its form and content vary from country to country depending upon the need of the country and uniform the objects to be achieved and economic position of the country. Thus, co-operation is a defensive force to make a stronger economic position.

1.2 Evolution of Co-operative Banks and Co-operative Industries:

The need for urban co-operative banking arises from the fact that joint stock companies are not interested in providing credit to the urban middle class. It is not advantageous for joint stock banks in developing business of small loans an account of high cost of advancing and recovering them. Further as joint stocks banks are not likely to have ordinary circumstances, full and intimate knowledge of the standing and resources of persons of moderate means, they will not advance loans on personal security. In these circumstances the man with limited means in urban areas would be driven to moneylenders or similar agencies to obtain loans at high rate of interest.
The co-operative credit movement originated in Germany when Herman Schultze started such societies for the benefit of artisans in the cities. Social workers in India began to think in terms of co-operation as means of bringing this co-operative thought of banning to the middle classes as early as the close of the 19th century. The first urban credit society was started in 1889 at Baroda.

The failure of 'Swadeshi' joint stock banks created an opportunity for co-operative banking to develop as a medium for mobilising the savings of person of modest means and helping those whom financial distress caused by living costs and unemployment had driven into the clutches of money lenders. The inter-war period did not affect the urban credit movement as adversely as it affected the agricultural credit movement. This might be due to the fact that during the 'depression' the fall in urban incomes was not as steep as the fall in rural incomes. Another contributory factor was the stability of the movement in the urban areas. There was comparatively high standard of managerial efficiency available in urban areas which co-operatives could afford on account of their larger resources. The progress of urban co-operatives credit societies and banks can be assessed from the following observations of the Reserve Bank made in purview of the co-operative movement in India during 1939-40.
"Urban credit societies and banks are the most important feature of the urban co-operative movement in India, and make up to some extent for the absence of joint stock banking facilities in the smaller towns".

Urban co-operative banks and societies occupy a prominent place amongst the agencies supplying the credit needs of people residing in urban areas. They advance loans mostly to small traders, artisans and salary earners on personal security as well as against gold, silver etc.

1.3 Co-operative movement Abroad:

The modern co-operative movement in an organized form as a world movement emerged in the middle of the 19th century when men and women combined to find out an alternative to replace the exploitative tendencies and cut throat competition unleashed by industrial revolution. As a result against the new capitalistic order based on the doctrine of individualism, Socialist ideas began to develop in this period. Robert Owen, Karl Marks and others opposed capitalism and competitive system. They opposed capitalism not only on the ground of justice and efficiency but also because of its ill effects on human character and their helplessness. They sought to create new social order, a new moral world favorable to the promotion of good character and human happiness.

Germany was the first country in the world to apply the principles of co-operation in the filed of credit. The co-operative movement was
started in the middle of the 19th century. At the time, the economic condition of Germany was extremely deplorable and peasantry and artisans faith crushed under heavy weight of indebted. Famines were a common phenomenon. Usury was the order of the day. The Jews ruled over the marked and the poor labourers and farmers had no way out except buying articles of their requirements from them and sell their products to them. The Jews were not only buyers and sellers but the money leaders as well. Usually illegal rate of interest on loans was the order of the day.

Herr F. W. Raiffeisen (1818-1888) and Herr Franz Schulze (1809-1883) the two pioneers in this field took the initiative and started introducing various measures of relief. They started their schemes at about the same time but their field of operation was entirely different.

Raiffeisen tried to reduce the suffering of the people living in rural areas while Schultze adopted the new measures for giving to the people living in urban areas.

Herr Franz Schulze was a judge in his native town Delitzsch. He had seen the miserable condition of the people, especially the people with low means, with his one eye. In 1850, he founded the first credit association with the funds provided by those who were well rich and who did not require any financial help. Schulze formed a rule that any member could get the loan from this association. In 1952, he founded a
society at Delitzsch, which was based on co-operative principles. He proposed the first co-operative law in 1867, which became applicable to the entire country in 1889. According to this law, all co-operative societies were to be organised on the basis of limited liabilities.

It was clear that both personalities had realised that "self-help" was only way out as a relief to fixed income group of person for their economic improvement.

Briton is the homeland of co-operative state's movement. It is the outcome in the economic and social system of Briton under the impact of Industrial revolution. Robert Owen (1771-1858) started schools for co-operative as well as general education.

Amidst these co-operative efforts, experiments and failures of the "Rochdale Friendly co-operative Society" was formed in 1830.

The co-operative credit movement in Briton was not appreciable progresses, chiefly because Briton was highly industrialised and its agriculture was not in a backward state. In Briton farmers are quite well off and do not depend on the money leaders. Another reason for the slow growth of the movement is that no concentrated efforts has been made organise the movement. Whatever co-operative societies have been established was more or less inactive.
Denmark is the homeland of agriculture co-operation in the world. One of the most interesting and essential features of the Danish cooperative movement is its voluntary development. It is the voluntary by the producer and consumers wanted and were able by their own efforts to tackle their economic problems wholly or partly in collaboration with there fellow countrymen.

Denmark has no co-operative legislation. The different types of activities have been organised freely adjusting themselves according to the local needs and condition. The basic principle guiding the movement has been to strive on a no profit basis for the direct economic benefit of the members who have founded the societies and are their sole owners.

First credit association was established in 1850 for advancing mortgage loans to the farmers. The first consumer co-operative was established in 1866.

The co-operative movement in Japan started in the middle of the 19th century. Co-operative credit organisation known as "Koh", were the first to be established. The basic principle behind the organisation of these institutions was that a group of friends would contribute to a saving pool to be used as a loan fund. The member could borrow from this fund in times of need and pay back gradually by making deposits to
the fund. The "Koh" type of credit organisation originated during 14\textsuperscript{th} century.

Credit co-operatives were organised mainly in urban areas. In the initial stages of the movement the credit co-operative societies of the co-operative grew most rapidly. The first consumer co-operative was established in 1879.

The co-operative movement in the USA is quite ancient. It started with the first settlers in the country.

In its initial stages it flourished only in the field of agriculture legally speaking the co-operative movement started in 1865. When the first co-operative law recognised the sale and purchase of co-operative for the first time. Prior to the enactment of the co-operative law of 1865 the period is known in the history of the co-operative movement as that of "Associationism".

The U.S.A. Government created farm credit administration in 1933 for advancing loan to their co-operatives.

1.4 History of co-operative societies in India:

India got freedom in 1947, unfortunately Pakistan separated from our country. The separation caused a considerable loss to the co-operative activity. It gave a big set back to the co-operative movement in the country as a whole and some of the best co-operative societies in
Punjab were finally ruled out. There was a great dislocation in the co-operative field resulting from the movement of members of societies from one side to other. But the crisis also gave it a new role to play in the form of societies for the rehabilitation of displaced person almost in all states of the country.

The decade after independence was a transition period. The government had to decide its economic approach for overall development of the country. Partition gave a severe shock to the Indian economy. The government had to take proper steps to rebuild money market, Indian economy and industrial sector for self-reliance. India accepted mixed economy, which enjoyed the merits of socialism and capitalism and at the same time minimised their respective demerits. The government undertook manufacturing of some key commodities. A special feature of Indian economy was that it gave equal importance to co-operative sector along with other sectors.

In 1949, Thakurdas committee strongly advocated much to importance of financial accommodation to the co-operative societies by Reserve Bank of India. After receiving the Thakurdas committee Report, the Reserve Bank of India held an informal conference of co-operators, banking experts, economists and others in Feb.1953. The purpose was to formulate Reserve Bank of India's role and chalk out a planned approach to the problems of rural credit. Reserve Bank of India made
an All India moral credit survey under A. D. Gorwala committee. The committee gave its report in December 1954. It brought revolutionary changes in all the spheres and sectors of co-operative movement from top to bottom. "It was we accepted that co-operation was better hope for the development of rural area."

The Indian government decided to build its economic base in planned way to utilise its limited resources properly for the overall development of the country. It also prepared its industrial policy. It gave the top priority to basic industries and self-reliance in essential commodities. The government took important steps to recognise the money market. It passed the Banking Regulation Act in 1949.

The main features of this act were-
- Reserve Bank was given more rights.
- It brought harmony in the financial institutions.
- It tried it's level best to keep proper check and control on the commercial banks.

From the sectoral allocation of five-year plans it can be clearly noted that more importance was given to the agriculture sector and irrigation in the first plan.

In the next plan priority was given to Industries. Transport and communication got relative importance in every plan. Power was
regarded as essential for rapid development. It got due importance in all the five-year plans.

From this, it is clear that the government took proper steps to create infrastructure for rapid development of our country. These plans achieved their objectives to a great extent.

The Industrial policy of government also contributed substantially give a big push to the economy.

The five-year plans and industrial policies affected social-economic conditions of our country. The development brought favourable changes but at the same time it also created some problems.

After 1960, the government adopted new strategy for agriculture program, which increased the agricultural production. It was called 'Green Revolution'. It had a deep socio-economic impact on Indian economy. It accelerated the rate of urbanisation with the adoption of new technique of agricultural production at the price of the agricultural land increased to a great extent. It resulted in large-scale eviction of small farmers and tenants. The number of landless agricultural labour increased and it shifted to urban areas. The construction programme of big and medium size dams created the problem of rehabilitation. The government failed to solve the problems of such affected people. The government gave them land but was not yielding sufficient food grains
to support their families. Such people shifted to nearby urban areas. The process of rapid industrialisation affected the traditional small-scale industries. The skilled workers in such units were out of work. They went to Industrial town for better opportunities.

Industrialisation created the employment opportunities in urban areas only. The uneven growth of industries made the problem of urbanisation that took place after independence. It gave birth to the number of cities and urban agglomeration with population, 100,000 and above total population and growth rate in India.

The Reserve Bank of India took steps to recognise money market. In 1955 the Imperial Bank was nationalised and state Bank was founded, to promote the rural credit. The commercial banks were concentrated in big cities and they were not willing to give credit to rural and agricultural sector. In 1967-68 under the concept of “social-control”, commercial Banks were compelled to open their branches in rural areas. But the rate of opening branches in rural area was very slow. Such branches gave priority to rich farmers in giving advances. A study group on credit co-operative in non-agricultural sector was set up in May 1963. It recommended that urban co-operative banks should be organised in Urbanise and semi-urban areas with at least 1500 members each should have the paid up capital Rs. 25000 and the government should contribute equal amount for a period of 10 years.
Urban banks should be affiliated to co-operative banks, which may advance them loans.

Fourteen commercial banks were nationalised on 19\textsuperscript{th} July 1969. Nationalisation gave emphasis on opening branches in rural and semi-urban areas. The advances were given to priority sectors. However the commercial banks were unwilling to give advance to agricultural because it was small scale scattered, fragmented, individualistic and relatively an unorganised sector. They were reluctant to give finance to small-scale industries, traders and artisans. So the rural areas remained in the clutches of moneylenders.

Credit co-operative societies were playing vital role in providing advances to the rural and semi-urban areas they gave alternative to moneylenders. But credit co-operative societies suffered a setback after the nationalisation of '14 commercial banks'. People started giving preference to commercial banks rather than to credit co-operative societies. In 1970 The Reserve Bank of India started a new scheme of giving loans through co-operative societies. The commercial banks would provide money to co-operative societies, so that co-operative societies become financially sound.

On 2\textsuperscript{nd} October 1975 rural banks were founded for the first time. They were expected to open the branches in far away remote villages up to June 1977. There were 48 Regional Rural Banks with 780
branches. Today 52 rural banks are providing financial assistance to the rural areas and to the agricultural sector.

The 14 nationalised banks with their branches and the rural banks were not sufficient to cater the need of rural credit and to bring about improvement of the village economy at micro-level.

The multi-agency approach was first thought of in respect of rural credit. It was born out of necessity. It was realised that the field of agricultural credit was vast, the needs varied and the problems were complex. It would have been unrealistic except the entire burden of providing rural credit to be born by the co-operative system alone. Commercial banks were therefore inducted into the field of rural credit to supplement the work of the co-operative system.

The primary credit co-operative societies were reorganised to make them viable and extend their coverage to more villages. In every state, a state co-operative bank was established. The state co-operative banks served as a link between the money market and the rural sector our economy due to their prominent role in financing agriculture. They financed agriculture through the credit society. Presently they have formed the Indian State Co-operative, Banks Association. The Association is expected to co-ordinate the work of these banks for promoting common interest and to supply information regarding each other's financial needs with the help of Reserve Bank of
India. A short-term loan can also be available from the agricultural department of the Reserve Bank of India.

Industrial Development Bank of India gives financial assistance to big industries. The government has set up small Industries Development Banks in 1988 for financing the small-scale Industrial sector.

The structure of financial institutions in India, comprised three sections. They are I) Commercial Banks II) Co-operative Institutions III) Other Institutions. Of these, commercial banks are prominent in big cities. Co-operative banks, rural banks, and to some extent nationalised banks are active in rural areas. Urban banks are established to provide for financial needs of urban areas. But their role is very insignificant. The other institutions like LIC, Unit Trust etc. cater to the needs of industries. The private sector financial institutions are unorganised. Their credit policies and priorities are always changing. The conclusion is none of these institutions fulfils the needs of both the urban and rural sector to the extent.

A review of the expansion of commercial banks shows that in 1969 on the eve of nationalisation they had 17.6% offices in rural areas, as against of 41.6% offices in urban and metro areas. By 1992 the offices in rural areas had risen to 58% as against 23.2% in urban and metro areas. However the advances to rural areas are 14.5% as
against 70.2% is urban and metro areas (19). This shows that commercial banks are not catering to the needs of rural and semi-urban areas. Co-operative sector has a substantial role to play in rural sector and agriculture.

The Urban co-operative banks are mainly established to provide advances to the urban and semi-urban areas. But the number of urban banks, their deposits and advances are very insignificant as compared to the needs of urban and semi-urban population. The following figures justify this statement (20).

- No. Of banks in India 1251
- No. Of members 1.5 crore
- Share capital 400 crore
- Deposits 9000 crore

The need for the urban credit co-operative society:

From the above figures it can be easily pointed out that urban and semi-urban population need financial institutions which can provide them advances. The rate of urbanisation is very high but the employment opportunities in urban areas are very limited. The percentage of population living in the localities of 20,000 or more in habitants rose from 4 to 12% between 1911 to 1951 while the share of the total labour force employed in industry increased from 11 to 13% in the same period. The pressure of rural immigrants has always outrun
the slow expansion of urban job opportunity. A major portion of urban population is working, as traders, labourers, workers in small units, hawker and professionals, like doctors, lawyers and engineers etc. Nationalised banks and other financial institutions are reluctant to give them financial assistance.

1.5 Co-operative movement in Maharashtra:

The origin of co-operative movement in Maharashtra State took place in the year 1882 when the first co-operative bank was established at Baroda. In Kolhapur district the system was in the form of co-operative credit before 1882. It was the informal way of lending money on co-operative basis.

The Bombay province was a leader in the country. Even thereafter till Maharashtra State came to be established in May 1960. During the span of 12/13 years immediately after independence in 1947 the co-operative movement in this part of country had development in the various forms of co-operative sector. Another special feature of this period was the first co-operative sugar factory at Pravaranager in Ahmednager District by late Padmashree Vikhe Patil. Therefore many co-operative sugar factories and other industries came into existence.

It can well be said and with due pride that Maharashtra today tops the development of co-operative movement in the country. It has been a pioneer in many respects and in therefore front. The co-operative
movement in the state has been fortunate enough in getting stalwarts like late Shri Vithaldas Thackersay, Hon’ble Shri Gopalkrishna Gokhale, Dr. G. K. Deodhar, Shri Vaikhunth L. Mehta, Dr. Punabrao Deshmukh, Dr. D. R. Gadgil, Prof. D. G. Karve, Shri Dr. Vithalrao Vikhe Patil and many other led the co-operative movement in the state. There were political leaders, social reformers, writers, thinkers, educationalists, administrators, businessmen and a hand of social workers who led the co-operative movement was sponsored and boosted by officials, whereas Maharashtra can claim that the movement of the state has drawn its leadership from the sons of soil. We can still claim that the same tradition is being maintained and that the local leadership is still playing vital role in the development of movement in the state.

The co-operative movement in Maharashtra has played a significant role in the social and economic development of the state, particularly in the rural areas. Initially, this movement was confined mainly to the field of agricultural credit. Later it rapidly spread to the other fields like agro-processing, agro-marketing, rural industries, consumer stores, social services etc.

1.6 Co-operative at District level:

The co-operative sector in Pune district is at very developed stages. There were 1831 co-operative credit societies up to 1999. At the same time sugar factories, Ice factories, primary agricultural co-
DISTRIBUTION OF THE CO-OPERATIVE SOCIETIES IN THE PUNE DISTRICT

No. of Societies / Lakh Population

- 17 to 22
- 22 to 27
- 27 to 32

Fig. 1.2
operative societies, co-operative banks etc. are the various forms of co-operation in Pune district. In the development of middle class, small business, women entrepreneurs, cottage industries co-operative field is working efficiently. For financial needs of business, co-operative credit societies are helping very efficiently. The salaried class is satisfied with co-operative credit institutions and no need to go to nationalised and other banks.