

# *Chapter - I*

**Introduction - The Problem  
Theoretical Framework**

## CHAPTER I

### INTRODUCTION - THE PROBLEM - THEORETICAL FRAME WORK

Co-operation in its simplest usage implies a voluntary association of individuals. Co-operatives combine elements of the concept of co-operation with the notion of formal organisation. Co-operation as an idea had struck a deep chord with thinkers and policy-makers in India, particularly as a Central impetus to rural development.

Co-operation means working together for the achievement of a common objective. Working together for a common objective has been the factor not only a human horizon, but has been the potent factor for the existence of men, groups and nations.<sup>1</sup> It is very difficult to give clear cut definition of co-operation. It is difficult because different countries have taken it differently depending on their socio-economic, political and economic environment. In England the modern concept of co-operation originated after the Industrial Revolution and it spread in Germany, France, Switzerland and Denmark. In America it developed during the first part of the nineteenth century as an environmental which was necessary for the American people. In Israel for strong opposition of Muslims against Jews made the Jews to co-operative with Muslims. So for the Jews the co-operation became a way of life. The revolution of Russia strengthened the case for opening the new co-operatives. During the first part of the Twentieth Century, the Government of China compelled famine stricken people and the Government recognised the co-operatives as integral part of economic structure. Then the co-operative movement became the vehicle of communism. In Europe and America after the First World War for rehabilitation and reconstruction of economic system, co-operatives activities became vigorous. Latin American and African Countries have gathered the co-operative philosophy in spirit. In Chile, Guyana, Argentina, Equador, Brazil and Mexico all types of co-operatives have developed, co-operative patterns are more integrated with British co-operative system in Newzealand and Australia. The co-operatives were developed with the state assistance in Philippines and other for Eastern countries. In co-operatives, Japan is successful, specially in agriculture and

small scale industries sector. Specially in respect of consumer co-operatives, America made constant and steady rise over the years. The co-operators of the universe have international machinery in the International co-operative Alliance which has been in operation for a country.

The concept of co-operation has the humanitarian bias and inculcates the spirit of mutual help. Co-operative provides the opportunity to learn how to live for common objective of human welfare through dedicated services and sacrifice for others. The co-operative organisation differs from other economic organisation<sup>2</sup> as has pointed out by V.L. Mehta. The I.L.O. has observed<sup>3</sup>, "While endeavouring to strengthen the economic independence of its members, it also endeavours to establish bonds of moral solidarity between all members and to create a common social life, based on development of personality". V.L. Mehta has observed on the consistency of Co-operative organisation in socialistic pattern of society. According to him "... there are, however numerous sectors of the economy where the twin objectives of social ownership and equal distribution can be better ensured by the co-operative system than through state partnership or collectivisation". IN England, Robert Owen was the first to extended the ideals of co-operation. Then Charles Howarth Suggested that the co-operatives can be developed if the members of the co-operatives obey a code of conduct. In the year 1895 there was established the International Co-operative Alliance and that was helpful the co-operative movement in taking firm roots in Italy, Germany, France and scandinavian countries.

The Director General of International labour office has described the co-operatives all performing the important and pivotal roles<sup>5</sup>. In the report he has mentioned that the co-operatives are helping to solve the economic problems such as inflation, keeping down the prices of essential consumer goods and food, at certain occasions equitable distribution of restricted and controlled consumer articles through co-operatives on no profit no loss basis. The main extensive activities under co-operative sector has been in agriculture particularly through co-operative credit societies. These activities continue to contribute towards rural development.

The co-operative movement has gained impetus throughout the world and the reasons behind its are its principles. Co-operatives are the association

of persons and not of capital, mutual help and service. In 1995, International Co-operative Alliance stated the principles, voluntary and open membership, Democratic Member Control, Member Economic Participation. Autonomy and Independence, Education, Training and Information, co-operation among co-operatives and concern for community.<sup>6</sup>

In Indian economy agriculture is the mainstay. Agriculture contributes to net national product to the extent of 40% and provides livelihood to 60% of the total work force of India. After freedom, it has passed through a stage of transition from a predominantly semi-feudal oriented and sub-sistence farming to a commercial market oriented farming<sup>7</sup>. To increase the production of the mechanised farming has felt the use of non-traditional material such as insecticides, pesticides, improve seeds and chemical fertilizer. These inputs make a farmer to product marketable surplus. So to purchase these inputs the farmer requires capital. The requirements of capital increases with the increase of price of inputs, wages of labours etc. From their own resources, the farmers can not arrange these things. They have to arrange from the out side. Availability of capital from outside which plays an important role in the community of farm production an important role in the community of farm production on commercial basis. It denote that the "... need for depending on external financial resources becomes inevitable." The potential and well organised external financial resources are the financing institutions, viz., Commercial Banks and Co-operative Banks. Private money lenders played a major role in financing agricultural operations during the early days.

Appearing of Commercial Banks in agriculture financing activities since their nationalisation in 1969 and the improvement financial aspect of the Co-operative Banks have removed the village money lenders. And also the system of institutional financing of agricultural and allied sector has been developed.

The main aim of nationalising the Commercial Banks was to bring the Banks to the door-step of villages to finance agricultural activities and the land less farmers as well as to finance artisans to increase their substantial income by means of using credit in agricultural allied activities including small scale and cottage industries. The Commercial Banks were to fill the credit gap caused under the credit sector and extend the scope of financing. The idea of multi

agency and agricultural financing operation was developed so that the left out cases are taken up ensuring that the vulnerable targeted groups are not left at all. The Commercial Banks plunged into the task in every big way committing overlapping and unhealthy competition with co-operative sectors. The Banks were also not equipped ab-initio. So the wrong-finance in agricultural schemes resulted huge overdues. Then therefore some measures were taken. But still there lacks co-ordination between the Commercial Banks, the Co-operatives and other Banks in planning as well as in executing the credit plans. The tempo of credit co-operatives has been affected. These shortcomings are required to be analysed, examined and healthy synthesis to be sought out.

According to Paul. H. Appleby the policy making in administration is the exercise of discretion with respect to direct action on behalf of as well as in restraint of citizens. The institutions meant to formulate and implement policies of rural finance have to be very careful in decision making. So there should be trained and devoted personnel deputed in policy formulation and implementation. Organisational arrangements and expenditure made there on should have direct bearing on the productivity manifested in the results. Rural credit organisations are not meant for themselves, they are for agricultural class and the rural poor people, so prudence, expediency are required to be directly applied when ever the organisational arrangements, expansion and personnel matters are taken up at the policy formulation or implementation level. The integrated approach and well co-ordinated institutional network is still to be affected. Despite efforts made on political and Government level, co-ordination in credit plan and implementation requires review bring about betterments.

Other requirements for achieving successful institutional are : lower rate of interest on loan, agricultural crop as security and not the land against loans to all, arrangements for motivating farmers, consumption loans for small and marginal farmers and artisans, availability of loans on differential rates of interest to poor farmers and village artisans under co-operative credit system, ensuring timely payment of loans and repayments, prevention of accumulation of overdues, preparation of sound scheme for agricultural operations, monitoring of implementation of each scheme etc. It is necessary to nab the circumstances which compels a farmer to divert the credit money to non-productive purposes

in order to avoid misutilisation of loans. These circumstances are the marriage of sons and daughters, death ceremonies, rituals at the time of birth of a son, litigation on land and other property. The expenditure on these circumstances should be minimised by awakening people through wide publicity.

In India, credit co-operatives are very old financial institutions. They have passed through the ages facing feudal agricultural systems and monarchy. Some of the princely states encouraged the co-operative societies on the lines envisaged in the Indian co-operative Act, 1904. But the money-lenders had the monopoly over the rural credit business. The All India Rural Credit Survey (1954) had revealed that only 3% of total rural credit was supplied by co-operative sector. But during the next 10 years, as revealed by the similar survey conducted by the Reserve Bank of India, the percentage increased to about 20%. Now it is more than 40%. The credit co-operatives have made remarkable progress during the last three decades. Main role have been played by the government of India, Reserve Bank of India and NABARD.

If we compare the flow of co-operative institutional credit to agriculture with the figures of the Commercial Banks, it is revealed that the contribution of credit co-operatives is higher than that of Commercial Banks.

## **2. Objectives of The Proposed Study : Research Questions**

The proposed study seeks to make an in-depth analysis of the role and functioning of the Co-operative in rural development in general and that in the District of Cooch Behar in particular. The Study, it is expected, would take into account a number of issues and forces that determine the course of policy-planning and policy implementation in such an important area. It is admitted that co-operative movement was located with a particular objective : the achievement of common objective of development through participation. In that sense, these may be called a common platform where people can meet and decide upon the course of future development. It is all the more important in a setting which is markedly characterised by widespread illiteracy and uneven pace of development, thereby generating a sense of frustration often leading to alienation in all senses in a group of people. It breeds discontent and may threaten the very foundation of the polity. Co-operatives can play a very

constructive role in this area. It is equally important to note that after independence, much was expected from the co-operative ventures keeping in mind the vast nature of the Indian polity and the existence of conflicting loyalties at the grass-root level.

The proposed study, while examining the role of co-operatives in rural development in the district of Cooch Behar seeks to answer the following question:

- (a) What has been the attitudes of the decision makers towards the role of the co-operatives in rural development at the national and state level ?
- (b) What has been the State Government policies in West Bengal towards the co-operatives since 1977 ?
- (c) To what extent, Memorandum of understanding (MOU) reached at between the Cooch Behar Co-operative Agriculture and Rural Development Bank Ltd., and the West Bengal State Co-operative Agricultural and Rural Development Bank Ltd., has been successful in implementing the Development Action Plan in the district of Cooch Behar?
- (d) What has been the political implication of the State Government policies in achieving development through Co-operative in West Bengal ?

### **3. Overview of the Existing Literature**

At the outset, it should be mentioned that inspite of a good number of works on the working of the Banks in rural development / reconstruction, a very serious attempts have been made to analyse their roles in the overall background of the co-operative movement either in general terms or in a very specific socio-political and economic setting. From that perspective, the proposed study first of its kind, is a modest attempt to examine the role of a Co-operative Bank in the district of Cooch Behar primarily engaged in rural / agricultural development of a district predominantly agricultural in character.

On co-operative movement itself, the following works special mentioning, namely, R.D. Bedis *Theory, History and Practice of Co-operation* (1958), R.Bisotra's *Agricultural Development through Co-operative Banks* (1994), B.

N. Coaubey's *Principles and Practice of Co-operative Banking in India* (1968), A. K. Dutta's *Co-operative Development Programme in West Bengal : Government of West Bengal* (1956). B.B. Goel's *Principles, Problems and Prospects of Co-operative Administration* (1979), E.M. Hougl's *The Co-operative Movement in India* (1966), A.I. Quruhi's *The Future of Co-operative Movement in India* (1947), O.D. Reddy's *Co-operative Agricultural Development Banks* (1986).

It may be noted that most of these works deal the problem of co-operation and rural development from a broader perspective without taking into account the factors that are essentially "local" in nature and hence fail to unearth the very local imperatives / impediments that shape or reformulate policies of co-operation at the grass root level.

Besides these secondary sources, the proposed study would be primarily based on the primary documents published by the Reserve Bank of India, the government of West Bengal since 1977.

Journals and periodicals in this field will be of immense help in such a study. Of these, the Reserve Bank of India, Co-operative News Digest, NABARD Annual plans, Development Action Plans along with other established Journals will be specially consulted. The select Bibliography in this proposal will give a detailed idea about the sources for such a study on co-operatives in agriculture / rural development.

#### **4. Methodology**

The study is primarily analytical in nature. For a proper analysis, emphasis will be placed on screening the official documents, policy-statements indicating the priority-areas, target groups and the general coverage of the policies adopted. References will be made to the general state of the co-operative movement in India since independence and more particularly, the policies adopted by the Government of West Bengal since the coming into power of the left Government in 1977. Not only that, attempts will be made to establish linkages between the co-operatives and the rural development.

## **5. Chapterwise Break - Up**

The present work is divided into seven chapters :

Chapter-I deals with the Introduction - the problems and theoretical Frame work.

Chapter-II Sketches the Historical Perspective of the co-operative Movement in India.

Chapter-III deals with the co-operative Banks and Rural Development and makes a study in the Indian setting.

Chapter-IV analyses the Co-operative Banks and Rural Development in West Bengal during Left Front Regime.

Chapter-V is concerned with the Co-operative Banks in the district of Cooch Behar. It also deals with the study in the context of purpose and policies.

Chapter-VI analyses role of ARDB in Cooch-Bihar since 1977.

Chapter-VII provides the concluding observations by making an appraisal of the working of the ARDB in Cooch Bihar.

It also seeks to make some tentative policy-suggestions.

**NOTES AND REFERENCES.**

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9. Appleby, Paul H., *Policy and Administration Albama (USA)*, University of Albama Pross, 1949, p-15.