

Chapter - II

***Historical Perspective of the
Co-operative Movement in the India
— A General Study***

CHAPTER II

HISTORICAL PERSPECTIVE OF THE CO-OPERATIVE MOVEMENT IN INDIA - A GENERAL STUDY

The co-operative movement in India owes its origin to the enactment of the Co-operative Societies Act, 1904.

The history of co-operative movement in India can be divided into five stages.

First stage : 1904 to 1912

The first stage was a stage of experiment. The organisers of India in co-operative movement had very small experience and scarce knowledge of the imported idea of co-operation. The matter was made very difficult by the fact that they were required to spread a new idea among the uneducated rural people.

"The Act of 1904 provided for the organisation of primary credit societies and stress was laid on the promotion of agricultural credit only. Local officers were also instructed that the organisation of rural credit societies should be their first concern. 8,177 societies by 1912 with a membership of over 4 lakhs and working capital of Rs. 335.7 lakhs has been organised."

During this period, the Government was the primemover of the Government. In 1909, Government loans formed 22% of the working capital of societies. The condition of the societies were not sound. The organisations were not well trained in the principles and practices of co-operation. The loans were insufficient. Loan system was defective and recovery position was not satisfactory.

The then Registrar of co-operative societies, Bombay, Mr. C.S. Campbell once reported " The lazy secretary of a dull society will collect and pay out again to the same persons by a book transaction. The worst of the system is, perhaps, the money goes in one lump on one day and comes back in one lump

on another day; in the interval, a guest comes, a cow dies, a child is born, school fees falls due, but the society is found unable to accomodate, the Sahukar can and does."

The ideology of co-operation was misunderstood even by those who were officially entrusted with this work. In one province, the misguided activities of some officials invited the following officials comments :

"The Tahildars received some excellent instructions from the Deputy Commissioner but entirely misunderstood their purpose. They thought that it was a Government order that societies should be started everywhere and without the least comprehension of the nature of the scheme proceeded to take energetic and active measures."² This quotation is only representative of a general misunderstanding of the objectives of the movement. It shows that co-operative societies were set up only in out ward form and lacked the spirit necessary to get them going.

Some non-officials started to take interest in the co-operative movement during the period. The names of Hon'ble Mr. Lallu Bhai Samaldas, Sir Vithaldas Thackersey and Shri Gopal Krishan Gokhale of Bombay can be mentioned. To the former goes the credit of organising the first Central Co-operative Bank in Bombay, in 1911. According to the Co-operative Societies Act did not permit the registration of central societies.

This bank was registered by an agreement between the promoters and the Government, under the Government of India Act, 1904.

Mr. Chiromule also did good service to the co-operative movement. Among his service, is the organisation of a society of 20 sweepers of Sitara. The members were all indebted to Pathans, who charged exorbitant rates of interest. The society freed the members of that debt.

A nice example was set by Govind T. Kulkarni, a promotor of a society in Dharwar district. When the funds of the society were locked up in over dues, he placed his savings at the disposal of the society without expecting a return, in order to keep the working of the society going, such examples spread the reputation of movement and helped in its expansion.

The objectives of the co-operative movement drew the attention of other selfless workers like Ramdas Pantulu of Madras who later became the first President of the All India Co-operative Banks' Association.

Second Stage : 1912 to 1919

The Act of 1904 was adequate to fulfil the necessary legal requirements of the society. It did not recognise the non-credit societies and provisions were there to form central federal bodies. The rural societies and their members felt difficulties in such societies with unlimited liabilities were not allowed to distribute profits amongst the members. So, the Co-operative Societies Act (II) of 1912 was passed. The Co-operative societies Act 1912 had the following salient features:

1. The Societies having its objectives of promoting economic interests of its members in accordance with co-operative principles could be registered.
2. Liability of rural society was to be unlimited whereas, the liability of central societies was to be limited.
3. A registered society could contribute its profits for charitable purposes subject to the condition that such contribution was restricted to 10 percent after carrying $\frac{1}{4}$ of the net annual funds. Registrar's sanction was necessary.
4. The provincial Government could grant exemption to a society from registration, registration fees, income tax and stamp duty.
5. Shares or interest in co-operative societies were exempt from attachment.
6. The society used to have the first charge to enforce the recovery of dues from members.
7. The local Government could frame rules governing the procedures for business, conditions of membership, general meetings, arbitration between members and the committee of officers of society.³

To remove the limitation of the co-operative societies Act of 1904, the important changes brought about by the new Act were :

"(i) The Act of 1904 confined co-operative activities to primary credit societies only. The new Act enabled the registration of non-credit societies as well, so as to ensure an all-round progress of the co-operative movement.

(ii) The old Act classified societies into rural and urban whereas the new Act provided for the classification of societies on the basis of their liability into limited and unlimited.

(iii) The old Act was silent about distribution of profits. The new Act realised that co-operative movement in India could not flourish so well unless the right of investors to reasonable profits was recognised.

(iv) The Act also enabled for the first time the registration of central societies."⁴

The new Act of 1912 started with a renewed promise in the co-operative movement. So the new Act was a great improvement over the previous Act of 1904.

The Government wanted to be sure that the co-operative movement was developing as sound lines and appointed the Maclagan Committee to review the movement. The report given in 1915, made far-reaching proposals for the development of the movement. The keynote of its recommendations was the mobilisation of deposits.

The main recommendations of the committee are summarised below :

1. The societies should be co-operative and businesslike.
2. Societies should be small at the commencement and gradual increases should be allowed.
3. There should be one society for one village.
4. Members should be admitted to a society irrespective of caste creed or socio-economic status, and society should not be formed exclusively for one class-caste poor or middle class etc.

5. Societies affiliated to one Central Bank as far as possible should represent different types of occupations.
6. Before registering a society, the Registrar must ascertain (i) Whether the proposed members have really assimilated the principles of co-operation, (2) Whether they appear to be too involved to make a society successful (3) Whether adequate working capital is available, (4) Whether the applicants are of good character, (5) Whether means are at hand to provide for necessary supervision of the society when formed.
7. The Managing Committee should work as a committee and should not be placed beyond the control of general meeting.
8. Deposits, shares, loans, reserves and surplus assets should form the capital of agricultural societies.
9. Deposits should be encouraged and increased. Deposits in excess of need of society should be forwarded to Central Bank.
10. Guiding principles should be formulated to issue term loans, its procedure, assessment of requirements and period of recovery.
11. The audit of the society should include not only the accounts audit but a further examination.
12. Formation of non-agricultural credit societies non-credit societies, urban-thrift and credit societies, employees societies, societies for poor castes, such as butchers, weavers, mill hands, scavengers etc.
13. Report has suggested that audit and supervision of co-operative societies should be with the Registrar.
14. The Registrar should be assisted by the cadre of officers from Provincial Civil Service.
15. A Central Bank should deal with 200 or 250 societies.
16. The share capital plus reserves of the Central banks should be at least 12.50 percent of total liabilities.

17. The share capital plus assets funds of the Provincial Banks should not be less than one-tenth of funds borrowed from outside.
18. The Registrar should be whole time and permanent and his status should not be less than a District Collector.
19. Constant audit and supervision is very necessary. An Auditor should audit about 100 societies per year.

'It appears, from the recommendations of the committee, that the comprehensive and realistic view has been taken on the basis of actual survey and on the spot study of the institutions. The MacLagan Committee recommendations can be termed as "forerunner" of the modern co-operative movement in India.'⁵

The primary societies ceased to be dependent on government loans with the establishment of the Central Banks. The novel experiment of multi-purpose societies, which later became a recognised pattern for the whole of India, was started during this period in Kodinar area. Labour co-operatives and Housing co-operative societies were made, specially in Bombay co-operative education was started. In Bombay the classes for co-operation were started seriously.

A veteran co-operator, Shri V.L. Mehta had been associated with the co-operative movement during this period.

Before involvement in non-cooperation political movement, i.e upto 1921, Gandhiji was a active supporter of the co-operative movement. He made tour with the Registrar of co-operative societies and founded many co-operative societies including Ahmedabad Textile Workers Credit Society.

The progress of the co-operative society was rapid, but the quality aspect was not satisfactory. There were 28,000 co-operative societies with 11 lakhs members and Rs. 15 crores as working capital in 1919.

Third Stage : 1919 to 1929

Montague Chelmsford Act of 1919 provided that the provincial Governments could enact their own Acts. Bombay province was the first to pass Co-operative

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societies Act, 1925. Later on Madras, Bihar, Orissa and Bengal passed their own Acts.

In each state, under the reforms of 1929, co-operation became a transferred subject. During the early years co-operation made a rapid progress in various states.

The Royal Commission on Agriculture was set up during period. The Royal commission 1928 stressed upon the importance of co-operation and remarked, "If co-operation fails, these will fail the best hope of rural India." The Royal Commission examined problem relating to agriculture and stressed the need of co-operation for implementing the programme of agricultural development. The commission brought out weak as well as strong points in the movement.

Expansion of the co-operative movement till 1929, was quite satisfactory as is clear from the following figure.

TABLE - 2:1

Year	No. of societies in thousands	Membership in lakhs	Working Capital Rs. in Crores.
1920	28.4	11.3	15
1929	94.0	37.0	75

Source : R.D. Bedi, Theory, History & Practice of Co-operation - 1986.

Fourth Stage : 1929 - 1939

In the year 1929 the World economic depression set in and gave the co-operative movement a rude shock. The Economic Depression of 1930s had the adverse effect on the growth of co-operative movement in India. Liquidation of large number of societies, non-recovery of loans, resulted in decrease in number of societies and fall in the working capital. In Bombay as many as 15000 cases were referred to arbitration. About 93% of loans become overdue by 1938. The number of societies in the state which stood at 5896 in 1930 - 31 came down to 4857 in 1935 - 36. In Uttar Pradesh more than 50% of the co-operative societies went into liquidation during this period.

In 1931, the Indian Central Banking Enquiry Committee, the creation of Reserve Bank of India in 1934, and setting up of rural credit department in the bank gave new life and vitality to the co-operative movement. The Bank prepared a report which suggested to convert village credit society into multipurpose society to fulfil the rural daily needs and long-term loans should be administered separately from the short-term loans.

Land Mortgage Banks

Land mortgage banks were started on Co-operative basis, finding the agricultural were raising huge funds on the mortgage security of their lands. In 1929 in Madras, the first Central Land mortgage bank was established in Madras. In 1935, in Bombay, ten primary provincial land mortgage banks were established. These banks saved many cultivators from the hands of money-lenders. These banks also advanced loans for the redemption of lands and to meet up the long-term needs.

Reserve Bank of India

In 1935, there was also established the Reserve Bank of India in India. The Agricultural credit Department was also set up simultaneously, to study agricultural credit problems and give financial accommodation to co-operative credit structure.

In 1937, the Agricultural Credit Department prepared its statutory report on the Co-operative movement, in which it gave advise to improve the working of Co-operative societies. It also gave suggestion for a general re-organisation of the co-operative movement. The provincial autonomy further strengthened the co-operative movement.

Fifth Stage : 1939 to 1947

The years after World War - II were testing period for the co-operatives in the wake of shortage of foodgrains, demobilisation of servicemen, shortage of essential consumer goods and above all the partition of the country. The co-operatives contributed to a large extent in procurement and distribution of consumers goods. The role of co-operatives in post-war years through was appreciable but not recognised widely.

The prices began to rise after 1939 and as a result of which the co-operative movement got a good position. During this period, the progress of the co-operative movement may be shown in the following figures :

TABLE - 2 :2

Year	No. of societies in thousands	Membership in lakhs	Working Capital Rs. in Crores.
1943	116.9	60.0	104.6
1946	172.0	91.6	164.0
1947	139.0	91.0	156.0

Source : R.D. Bedi, "Theory, History & Practice of Co-operation" - 1986.

For the high prices most the overdues which had accumulated during the period of depression, were cleared off. During this period the overdues fell by 60%. Demand for further loans also decreased. So all the co-operative Banks including land mortgage Banks faced with the problem of surplus funds and for want of business they are facing some problems. The primary societies increased their funds from Rs. 25 crores in 1939 - 40 to Rs. 54 crores in 1945-46.

Control Period : Distributive co-operatives began to be organised all over India, due to imposition of controls on the distribution of commodities. There also was a market growth of marketing societies. Thus the co-operative movement which almost entirely a credit movement so far, started diversifying its activities.⁶

In this period, there was a land mark in setting up of the co-operative Planning Committee, which drew up plans for the development of co-operative movement in various activities.⁷

Co-operative Development After Independence

1. All India Rural Credit Survey Committee Report (1954)

In 1951 the All India Rural Credit Survey Committee was constituted and the said committee submitted its report in 1954.

" Previously, the rural credit system has not been functioning well. The loans were inadequate Everywhere, the delayness in the matter of issue of

loans was prevailing. The big cultivators availed the large part of the loans, where as the weaker sections of the community which deserved the help most were often denied credit. The loans were not issued to right persons, in right quantity, at right time and for the right purpose."⁸

The main aim of the survey committee was to assess the credit needs of farming community in our country, the demand for credit from rural families and the supply of credit by credit agencies both institutional and private.

A sample of 600 villages at the rate of 8 villages per district were selected from the 75 district and families in those villages were investigated.

The survey committee pointed out that the 'Multi purpose' society has not made any significant difference. It pointed out that "better farming, better business, better living" seemed to be a slogan but in fact they are the fundamental statement of co-operative and economic objectives.

The cause for failure of rural credit in India were due to functional, structural and administrative defects, dearth of suitable personnel lack of training, a back ground of illiteracy.

Recommendations

The report came out with its famous phrase "Co-operation has failed but co-operation must succeed". The Committee came to the conclusion that the state partnership in co-operative societies would provide a balancing factor between the weak co-operative movement and the strong urban economy and enable the co-operative organisations to withstand opposition from vested interests, which had so far retarded their progress. State partnership would also create the necessary confidence of the public in co-operative institutions.

Establishment of State Bank of India

" The committee has recommended to establish State Bank of India and its associate banks by amalgamating the existing Imperial Bank of India, with the main objective of providing large financial accommodation and remittance facilities to co-operative bank."⁹

Creation of various funds

It was recommended that the State Government the Reserve Bank of India and the co-operative institutions should create funds for various purposes.

The long-term operations fund, and the stabilisation Fund has to be established by the Reserve Bank of India. The Government of India has also created "The National Co-operative Development Fund" and "The National Warehousing Development Fund." The state Governments were also to create "Relief and guarantee fund" at state level.

The state participation was emphasised in the apex and central level credit co-operatives to provide adequate suitable and powerful support to the primary level credit co-operatives.

The respective State Government should take not less than 51% of the share capital in the State Co-operative Bank. The balance amount of share capital may be adequately subscribed by the District level Central Co-operative Banks and large sized primary level co-operatives.

State Co-operative Banks

Regarding membership by Survey Committee emphasised that the existing individual members must be gradually withdrawn and it should be made as Bankers Bank only a few individuals can be permitted to exist as members in State Co-operative Banks.

Central Co-operative Banks

In the case of Central Co-operative Banks it should be converted fully as the Federation of Primary Agricultural Co-operative Credit societies. The existing individual members may be gradually withdrawn.

Primary Agricultural Credit Societies

The Primary Agricultural Credit Societies (PACS) should be converted as large sized co-operative societies on Limited Liabilities basis. Their area of operation and the business activities also be enlarged to make these societies as viable units.

For agricultural lending the survey committee identified and recommended the crop loan system for over all agricultural development.

Central Land Mortgage Banks

Each state should have one Central Land Mortgage Bank to cater to the long term credit requirements of the farmers. The share capital basis of these banks also to be increased by way of Government contribution up to the extent of 51% of the total share capital. The debentures floated by these banks should be guaranteed by the respective State Governments. The debenture redemption fund is to be created for this purpose. The State Co-operative Bank is to provide interim cash credit accommodation. The above mentioned organisational and structural changes were recommended by the Survey Committee in the name of Integrated scheme of Rural Credit. The Committee strongly recommended the importance of training of officials as well as non-officials to enable them to successfully run the co-operative institutions.

"The salient feature of Integrated Scheme of Rural Credit are :

- (1) State Participation in Co-operative institutons at al levels.
- (2) Full co-ordination between credit and other economic activities especially marketing and processing co-operatives.
- (3) Development of a net work of warehousing organisations.¹⁰

The Committee also warned that State Partnership should not mean state control.

All India Rural Credit Review Committee (1966)

In July, 1966, under the Chairmanship of Shri B. Venkatappiah, The All India Rural Credit Review Committee was appointed. The committee was appointed by the Governor of the Reserve Bank of India. The committee submitted its report in July, 1969.

The committee observed in its report as follows :

- (i) Wherever necessary, immediate steps should be taken to set up Agricultural Credit Corporations.
- (ii) The State Co-operative Bank has to play a major part in rectifying deficiencies which account for the inadequacy of co-operative credit in many areas.
- (iii) The Board of Management of State Co-operative Bank should be suitably constituted in consultation with the Reserve Bank of India to provide for representation to the State Government and specialists in the field of agricultural credit.
- (iv) The Chief Executive Officer of the State Co-operative Bank should be carefully selected to suit the nature of duties to be accomplished in these banks.
- (v) Where a Central Co-operative Bank is inactive the State Co-operative Bank may establish a branch and finance the Agricultural Credit Societies.
- (vi) Similarly in areas where the Agricultural Credit Societies are dormant the Central Co-operative Bank may finance directly to the cultivation through its nearest branch.

These measures should be transitional one. Special grants may be provided by the State Government to enable State Co-operative Banks to employ Staff of the right quality.

The functioning of strong and viable units at the primary level is an urgent need. While taking care to see that economic viability is assured, the State Government has to adopt a flexible approach and determine the specific standard of business required for the viable society. The Agricultural credit society may be permitted to cover a population of more than 3000. The committee desired that the primary agricultural credit societies develop in rural banks when they cross the stage of viability and to begin to accept various types of deposits and other banking services. A positive effort should be made in all

the states to convert all societies into bank. The primary agricultural credit societies should play bigger role in mobilising the rural resources.

Lending Policies and Procedures

The Agricultural Credit Societies and Central Co-operative Banks should take the initiative to get the land records of the members upto date. Decentralisation of loan sanctioning powers of the Central Banks was suggested by the committee in two stages firstly Advisory Committee may be set up at each branch co-operative Central Bank and limited powers of Sanction of loan to societies covered by the Branch may be vested in such committees subject to a financial ceiling. Secondly agricultural credit societies which have a fair records of efficient operation and satisfactory repayment performance may be permitted to sanction loan to their members upto certain financial limits without awaiting the approval of the Central Banks.

Structural Changes

All efforts should be given to organise Primary Land Development Banks at Taluk and Block level and the same Banks may be affiliated to Central Land Development Banks at State level. The Government of India should explore the possibility of obtaining funds from International Agencies for the ordinary debentures to be floated by the Central Land Development Banks. The Lending policies and performance of the Land Development Banks should be reviewed in a comprehensive manner and revised in all necessary aspects so as to bring them in line within the requirements of sound investment credit.

Small Farmers Development Agency

This Committee has recommended to organise a separate agency exclusively to look after the well being of small and marginal cultivators.

Role of Reserve Bank of India

The committee suggested that the Reserve Bank of India should play a vital role in the sphere of Agricultural credit. The RBI should at the beginning of each accounting year set a target for each Central Co-operative Banks in respect of Deposit Mobilisation and lending for Agricultural activities. The RBI should

provide credit limit to the Central Co-operative Banks through the State Co-operative Banks for the seasonal agricultural operations.

Rural Electrification Corporation

Separate electrification corporation should be established to provide undisturbed electricity to the agriculturists for the crop production activities for increase in agriculture crop production. Rural Electrification Fund may be constituted as special fund. The funds should be used for the following of purpose.

- (1) Financing for Rural Electrification Scheme in priority areas in the states.
- (2) Subscription in special rural electrification bonds to be issued to Electricity Boards.
- (3) Provision of loans to the Rural Electric Co-operatives proposed to be set up.

(4) Credit for distribution of marketing-wherever the institutional finance from the Bank is not adequate to keep pace with the emerging need and in the areas where co-operatives are either organisational or financially too weak to meet the requirements, the Government may continue to provide credit for financing the distribution of inputs on a transitional basis. Co-operative Banks and Co-operative Supply Organisation should progressively work together to meet the requirements of farming community.

The State Bank of India and other Commercial Banks should increasingly be called upon to play an important part in financing the distribution of fertilizer by the co-operative Institutions at different levels.

Personnel and Training

To determine the margin on which co-operative credit institutions should operate. And to determine the rate of interest which should be charged on the loans advanced by them. These institutions should employ the required number of persons of the appropriate quality for different jobs. In federal institutions, the committee suggested that in filling up vacancies, key personnel of the

affiliated units should be generally preferred. Co-operative leadership at all levels has to be educated in the overall efficiency and operation of co-operative institution and demarcation of the respective responsibilities between the elected board of management and the paid executive and other managerial personnel. Each co-operative credit institutions can anticipate the staff requirements and take steps in advance for recruitment and also for training.

A Study Team may be set up by the Government of India, to go into all the facts of the problems of training the personnel of the co-operative credit institutions in consultation with the National Co-operative, Union of India, the Reserve Bank of India and the Federations of the State Co-operative Banks and the Central Land Development Banks. Co-operative Banks should recognise the importance of employing trained staff. The training needs and faculties required for existing staff and staff to be recruited has to be estimated in advance.

The Committee emphasised that particularly in the context of the changes in the policies of co-operative credit and the need to take these ideas as near to farmer as possible, increasing emphasis should be laid on Member Education in the Co-operatives.

Committee on Taccavi Loans

In 1958, the National Development Council, in its meeting, adopted a resolution on Co-operative Policy in which it was considered essential that Taccavi loans should be made available through co-operatives. conditions should be created in which every farmer and the rural worker should like to join the village co-operatives. In May, 1959, the new policy was communicated by the government of India to all State Governments. According to the Government of India, the Taccavi assistance to farmers should be channeled through co-operative organisations except in the case of distress. Though a few State Governments took initiative to channel Taccavi loans through Co-operatives the progress by and large was not appreciable. It was felt that the various organisational, procedural and administrative difficulties that came in the way of successful implementation of the policy called for careful consideration. In July 1961, the Government of India appointed a Committee to examine the whole

question and suggest suitable procedure for implementation of the policy.

Production Plan

Co-operatives should closely associated with the preparation of production plans at all stages. These should however be free to make advances to agriculturists after paying due regards to the objectives of the production plan.

The preparation of production plan may be the responsibility of the Panchayatraj Institutions which the responsibility of implementation of such plans should be that of Co-operatives.

Taccavi Loans and Co-operative Credit

The State Government should arrange for the maintenance of department wise and consolidate upto date information relating to Taccavi Loans so that statistical data should be reliable. Existing Co-operatives should be accepted as Institutional agency to provide credit to agriculturist for normal production and land improvement purposes subject to certain exceptions and Government should discontinue the issue of such Loans to them directly. The responsibility to provide entire finance required by agriculturists for normal production and land improvement purposes should be transferred to the co-operatives in a phased programme.

To provide credit to agriculturists, when co-operatives become the sole agency, for normal production and land improvement purposes the surplus funds available with the Government should be utilised to suppliment the resources of the co-operatives. Realisation of co-operative should be given proper priority as against the outstanding of distress Taccavi Loans. Effective measures should be taken for the genuine production and Land improvement purpose. The members on account of Taccavi default should not be debarred from obtaining loan from co-operatives.

On the basis of the repaying capacity and to their producing adequate sureties irrespective of whether they are honest tenants or lessees without further delay so that even defaulters on account of taccavi dues may obtain necessary credit for seasonal agricultural operations, co-operative should change over to the system of making available production credit to agriculturists.

Observations and Recommendations

To rationalise the Central Banking structure so as to have one Central Co-operative Bank for each district, some State Governments have not yet taken effective steps. The concerned state government should take steps to complete this programme as quickly as possible. Co-operative Banks have to make more determined efforts to attract deposits not only by offering attractive rate of interest but also by providing certain essential Banking facilities and services. One of the Services which the depositor clients accept from the Banks is occasional overdraft accommodation, which is different in character from the grant of loan and other credit to help them tide over emergent temporary difficulties.

The implementation of the scheme of opening branches by Central Co-operative Banks should be assessed and state should provide adequate assistance to Central Co-operative Bank to cover the expense that might be incurred by the branches till they become self-supporting.

Land Mortgage Banks

The Structure of the Land Mortgage Bank should be federal and not unitary one i.e a Central Land Mortgage Bank financing agriculturists directly through it's branches. It would be more advantageous to organise primary Land Mortgage banks at District Levels.

Where primary Land mortgage banks are functioning at the District level these should be some agency at a level below the District which is easily accessible by the agriculturists. The Primary Land Mortgage bank in such area should take steps to open branches at Tehsil or Block headquarters.

In the matter of security and recovery of loans under the land improvement Act, the Co-operative Societies Acts should be amended so as to include special privileges for land mortgage Banks. This would induce Land Mortgage Banks to advance loans in an increasing measure and help to reduce delay in the sanctioning of loans.

Rate of Interest

To change the economic lending rate for short term, medium term and long term loans, co-operatives may continue even after becoming the sole agency of institutional credit to provide all such loans required by agriculturists for normal production and land improvement purpose. To conclude the Committee on Taccavi loans recommended some more structural changes in short term and long term co-operative credit institutions.

Committee on Co-operative Administration

In 1963, the Government of India under the chairmanship of Vaikunth L. Mehta, constituted the committee on Co-operative Administration. The terms of reference of the committee was as follows :

- 1) To review the existing department set up in various states and to suggest the broadlines for determining the strength of departmental staff at various levels viz. at the headquarters, divisional, district and lower levels.
- 2) To make recommendations regarding this special staff required to be provided at various levels to deal with priority items such like co-operative farming, co-operative marketing processing, industrial societies and other types of societies.
- 3) To make recommendations regarding the criteria for determining the strength of the committed staff at various levels.
- 4) To suggest criteria for the strength of supervisors to be employed by Government, Co-operative Union or financing Banks s the case may be.
- 5) To suggest measures necessary for ensuring adequate training to the stff at various levels and to suggest broadly procedures for recruitment at various levels with a view to secure continuing policies and programmes.

Structure of Co-operative Department

- 1) The functional advisers of the Registrars at headquarters should be the officers of the status of Joint Registrar.
- 2) In all states there should be Joint Registrars for audit, banking and credit, co-operative marketing and processing of agricultural projects, industrial co-operatives, co-operative stores and exclusively for co-operative processing. Technical expert persons should be obtained on loan from the departments concerned as it is not possible for the department to provide for it. In states where functional officers of Revenue Department have been established functional offices of the co-operative Department should also be created with identical jurisdiction. The following functions can be delegated to divisional officers.

1. Administration

The committee recommended (i) supervision and control over the district officers, (ii) Inspection of the officer atleast once in a year, (iii) Approval of tour programme and scrutiny of diaries of district officers, (iv) Inspection of a few primary, district and regional societies at frequent intervals to gain first hand knowledge of the societies and generally to guide the work of district and lower officers, (v) Annual inspection of societies in the division having jurisdiction over more than one district.

2. Appointment

Appointment and transfer of prescribed categories of non-gazetted staff.

3. Financial

To exercise the financial control over the expenditure in the district officers in the division, sanction upto prescribed limits of ordinary, non-recurring, contingent expenditure has been provided.

4. Statutory

Statutory exercise of all powers of the Registrar under the co-operative societies Act except those reserved or being exercised only by the Registrar

by the officer subordinate to him, hearing of appeals against the decision of district or lower officer, the status of the officers posted in the lower officer will have to be higher than that of the officers of the same rank posted in the districts. The divisional officers should be provided assistance of the gazetted officers with the necessary ministerial staff.

Division of Department Machinery

Proposal and formulation of schemes of co-operative endeavour in all fields of activity should be dealt with the headquarters of the department. The administration of co-operative enterprises of all kind should be vested with the co-operative Department. The special wings of technical department should provide the co-operative with such services as they can render.

The co-operative Department should not discriminate the societies which are under the control of functional departments. The head of co-operative department should co-ordinate matters of overall co-operative policy.

Audit

A separate audit wing under the Chief Auditor in the rank of Joint Registrar should be set up within the Co-operative Department. Audit should remain the statutory duty of the Registrar and should not be given to any other agency. The chief Auditor should be responsible to the Registrar who should have staff at the district and lower levels.

The Co-operative Department may undertake from time to time, test audit of some of the institutions that are audited by chartered Accountant to verify whether the audit has been done properly by them. Generally the Chief Auditor should be drawn from the department, in special case if an outsider is appointed he should be given necessary orientation in co-operation before placing him incharge of the work.

There should be, at the district level for each District a District Co-operative Audit Officer of the same rank and status of an officer incharge of a circle on the general side. The District Audit Officer may conduct the test audit of a few societies that are audited by an Auditor.

Supervision

The functions of supervision should be clearly defined and measures should be taken to see that he discharges all the functions entrusted to him. The supervision of primary societies can be gradually transferred to Central Co-operative Bank and in respect of other type of societies to the concerned Federations.

Recruitment and Training

The members of co-operative services should be provided the same status pay scale special pays and other benefits at various levels as those enjoyed by their counter-parts in other development departments in the state. The state Governments should re-examine the existing pay scales of staff at all levels in the Co-operative Departments and revise them in such a way as it would attract the personnel which it really needs. The following mode of recruitment should be adopted for various category of staff.

- 1) Deputy Registrar by promotion only
- 2) Asst. Registrar by promotion only
- 3) Grade I Inspectors by promotion
- 4) Grade II Inspectors 75% by direct recruitment 25% by promotion.

5) The question of creating an All India Co-operative Services should be kept open and a final decision taken only after detailed examination in the light of the situation that will emerge after the proposal to constitute an All India Agriculture Services is finally disposed off. The State Governments should provide for a training reserve while making recruitment.

Democratic Decentralisation and Co-operative Administration

It is necessary to ensure that extraneous forces political or otherwise are not allowed to influence the working of co-operatives which are essentially business organisations. Any transfer of powers to Panchayatraj institutions dilute the responsibility of the Co-operative Department and will impede the progress. The co-operative department should have full powers of transferring

the staff allotted to Panchayatraj organisations in order to ensure that every member of the staff has atleast two years experience on the general side before being entrusted with audit work.

Mirdha Committee on Co-operation - 1965

In 1965, the Government of India constituted a committee under the chairmanship of Ram Nivad Mirdha. The terms of reference were as follows :

1. To lay down standards and criteria by which the genuineness of the co-operative societies of various types may be adjusted and to suggest measures for weeding out non-genuine societies and preventing their registration.
2. To revive the existing co-operative laws, rules and practices with a view to locate the loopwholes which enable the vested interest to enrich themselves in co-operative institutions and recommend measures, legislative as well as administration.
3. To examine the factors inhibiting self-reliance and self regulation in the co-operative movement and to suggest appropriate remedies.

Recommendations

1) Co-operative Principles :

The following co-operatives principles were considering essential by the committee for the sound growth of the movement.

- a) Open membership
- b) Democratic control
- c) Distribution of surplus to members in number to the transactions.
- d) Limited interest on capital
- e) Mutual aid
- f) Thrift and self-help.
- g) Promotion of Education.

Those state law which does not have suitable provision of any of these principles may make suitable provision of on any of these principles to include them. Within the framework of the principles and objectives of the co-operative

movement certain conditions are laid-down by co-operative law to be fulfilled before a society is registered. The Registrar should satisfy himself that the application complies with the Act and Rules.

The object of society is promotion of economic interest of its members in accordance with the co-operative principles or a co-operative society formed with an objective of facilitating the operation of such societies. In addition to these general conditions to be fulfilled before a society is registered, detailed conditions intended to ensure a minimum performance may be prescribed by the Registrar for fulfilment before the society is registered.

Scrutiny

At the time of registration scrutiny is essential. The Registrar should be empowered to cancel the society which remains dormant or has ceased to function or has departed from co-operative principles. These powers should be exercised in consultation with the apex institutions concerned.

Criteria for genuineness

To organise a new society either in credit or any other sectors planning must ensure that the targets may relate to financial resources and administrative preparedness. Agricultural credit service society should admit all the rural population within in area should have willing to participate in services. Only exception is being that money lenders should not be admitted s members. Admission to Agricultural Marketing Societies should be restricted only to Agriculturists. Traders in agricultural commodities should be ineligible for admission. A labour co-operative should not admit a contractor as member. Admission of non-labourers other than contractors to the membership may be allowed upto 5% of the total membership subject to a maximum of 5 in society.

Admission to transport co-operatives should be restricted to workers. Many malpractices were noted in the working of the housing co-operatives. This is a sector of the movement which has done much to tarnish the image of co-operatives. Government assistance for providing loan as well as special quota of building materials should be made available only with all members of the society conforming to the rule relating to the ceiling of income.

Vested Interest

Introduce of the Principle of open membership is a vital check against the growth of vested interests. There must be provision for appeal against refusal to admit member. Such appeal should be heard and decided by a Committee at the District or State level as the case may be. The Committee did not favour imposing statutory restrictions regarding the number of terms that a person may hold office in the committee of management or a number of societies in which he may hold the office simultaneously. The General body of the each society must be the final authority to decide such things. The practice of holding annual elections for electing the full committee or a few numbers who retire by rotation was considered inconvenient by the Committee. Arrangement for Audit must be lighten up and the concurrent audit provided in all these institutions with heavy transactions.

Holding of elections to the committee of Management is the function of the General Body meeting. Meeting of General Body must, therefore be held regularly both for considering the accounts of the society and also for holding elections. This will be check against growth or continuance of vested interest. The committee members must be answerable for not holding the general body meeting in due time and penalty for non-compliance should be provided in the co-operative law. Nomination by Government to the committee of Management by a society should be kept to the minimum and in any case the nomination should not exceed one third of the committee members or three whichever is less. Only Government servants should be nominated and not any non-officials.

Audit and Supervision

Audit should embrace a scrutiny as to howfar the activities of a society conform to co-operative principles and to what extent the benefit of the society have accrued to the smaller or weaker section among its members. Mere emphasis on financial soundness is not enough. The promotional activity for education of members also be looked into.

In all states, audit machinery should be strengthened, on the basis of the yardsticks suggested by the committee on co-operative administration as a matter of high priority. In order to see that audit may be more objective and may

provide faithful indicator of the trends in co-operative movement. It should be entrusted to an agency under the Government but independent of the Registrar. This agency may function under the finance Department or on the lines of the organisation of local fund Audit.

For supervision of the activities of the primary constituents, federal co-operative bodies should increasingly take more responsibilities.

Resources for Co-operatives

To assist the co-operatives in a big way, the Government of India and State Governments should come. State partnership in the existing policy in co-operative should continue. Adoption of the co-operative loan system by Agricultural credit societies over the entire country is essential for meeting the credit needs of cultivators. Co-operative Institutions should be allowed to collect more deposits by removing legal and administrative obstacles which at present prevent local bodies statutory corporations etc. from using Co-operative banks as their bankers. A suitable system of insuring or guaranteeing the deposits should be evolved so that public confidence in these financial institutions may be created.

Education and Co-operation

If the co-operative movement is to be self reliant and to develop on sound lines, emphasis should be laid on the programme of co-operative education. The State Co-operative Unions and National Co-operative Union of India should take complete responsibility for running the training institutions. The training centres should be transferred to the concerned State Co-operative Unions.

The co-operative societies should contribute to co-operative education fund out of their not profits. Strengthening of co-operative Unions is important from the point of view of de-officialisation of the movement. Co-operative training should seek to develop the quality of leadership among members. This underline the importance of the role envisaged for co-operative Union which have no motivate co-operative leadership. The Member Education Programme should be linked up with the national drive for promotion of literacy. A concerned and massive programme of Audit Education in the country can be launched through

the co-operative movement. The committee mentioned that it would be tremendous national achievement if the target of imparting literacy to the total co-operative membership is achieved. It will usher in a revolution of light and learning rural India.

Committee On Urban Co-operative Banks

In 1977, under the Chairmanship of K. Madhava Das, a committee constituted by the Reserve Bank of India to study various aspects of the working of Urban Co-operative Banks and to make recommendation. In 1978, the said committee submitted its report.

Viability of Urban Co-operative Banks

The pattern of urban co-operative banks should be evolved taking into account the overall jurisdiction and the particular centre where a bank is functioning. The minimum requirements in regard to share capital, reserves, deposits working capital and loan business of a urban bank in the initial stage are recommended by this committee.

Membership

In case of Urban Bank, the membership should not be confined to any particular caste or community but should be open to all eligible persons who wish to avail themselves of the services of the Bank and abide by the obligations of the membership and residing or employed in the area of operation of the Bank.

Generally membership in Urban Banks should be restricted in order to curb the tendency of borrowing from more than one urban Bank. It should be given up the practices of dual membership in Urban Bank.

Share Capital

Except the shares representing the contribution from the State Government, Urban Co-operative Bank should issue only one class of share of one denomination. The committee admitted the suggestion of the Reserve Bank of India to keep the the value per share at Rs. 25/-. It pointed out that there should be compulsion on members to buy more than one share for membership.

Within five years of becoming members of Urban Banks, the members should not be allowed to withdraw share capital. The Urban Co-operative Bank may be permitted to refund in any year not more than 10% of its total share capital at the end of the preceeding co-operative year.

Deposits

It should be permitted by the State Government that the local bodies, quasi government, institutions and public trusts to keep surplus funds with urban Banks which have earned 'A' or 'B' class in Audit. The co-operative societies, Act should be ammended for making the deposit Insurance Corporation Act of 1961 applicable to co-operative Banks wherever it has not been done.

The Urban Co-operative Bank may offer competitive rate of interest on deposits subject to the ceiling fixed by the RBI. Deposit scheme suiting to the habits and needs of the people of the area may be evolved to attract larger quantum of deposits. A system of fixing target for deposit mobilisation for the bank as a whole and for each of the branches may be introduced. The urban co-operative bank may provide normal banking facilities and customers services such as provision of locker facilities issue of drafts and other remittance facilities. Good premises and modern office arrangements may be ensured as these will enhance the prestige of the institution and promote confidence in the public.

Loan Policies and Procedures

According to the Committee the norms of optimum level of advances at 75% of the owned funds 70% of deposits and 100% borrowings fixed by the Reserve Banks of India do not require any change for present. Every Urban Co-operative Bank should attempt at maximum disbursal of the loans and advances among small borrowers as they are meant to eater for the needs mainly of persons of moderate and small means. The Committee also boardly fixed the order of priorities for lending the urban Co-operative Banks.

- 1) Small - scale and cottage Industries.
- 2) Schemes for gainful employment of educated unemployed.
- 3) Self employed persons and professionals
- 4) Small road and water transport operations
- 5) Trade and commerce

- 6) Housing schemes
- 7) Consumption loans
- 8) Consumer Co-operative Societies.

Professional Management and Training Facilities

The National Co-operative Union of India and State Co-operative Unions are the appropriate agencies to undertake the responsibilities of educating members of urban Banks in association with the National Federation of Urban Banks and Credit Societies.

Audit and Inspection of Urban Banks

Co-operative department as well as the financing bank will perform the duties of inspection of Urban Co-operative Banks. In addition to the statutory inspections of the Reserve Bank of India adequate number of staff should be recruited for the Audit of Urban Co-operative Banks so that final audit can be completed after the close of the year. Statutory audit of Urban Bank should be conducted by the co-operative Department. But in the case of bigger banks chartered Accountant can be appointed by the banks with the prior approval of the Registrar. These Chartered Accountants should be given some basic training in Co-operative Banking.

Role of the Government, Reserve Bank of India, National and State Level Federations and others

Central Government may actively involve itself in the development of urban credit in different states to cater for the needs of urban, middle class and persons of low incomes. In states particularly those having a sizeable number of urban co-operative Banks, the State Government should set up separate cell under a senior officer of the rank of atleast a Joint Registrar of Co-operative Societies to attend to the needs and problems of urban co-operative Banks. The State Governments may make necessary provisions in their annual plans for share capital assistance to urban banks and subsidy for managerial staff as well as for rehabilitation on non-viable urban co-operative Banks.

As the leader of the co-operative movement in each state, the State Co-operative Bank should play a prominent promotional role in regard to the

growth and development of Urban Banks. It is needed to set up of a separate cell in the State Co-operative Banks wherever it has not been set up to deal exclusively with matter pertaining the Urban Banks Central Co-operative Banks should take an active interest in the promotion and growth of Urban Banks in the respective areas. There should be proper co-ordination among all the agencies concerned with the working of the Urban Co-operative Banks so as to avoid any conflict in their functioning, Mutual consultation can be held among these agencies. There should be close co-ordination between the Registrar of Co-operative Societies and the Reserve Bank of India.

Committee On Co-operative Marketing (1966)

In 1964, under the chairmanship of Prof. M.L. Dantwala an expert committee on Co-operative Marketing was constituted by the Government of India. The terms of reference of the committee were as follows:

- i) To review the present pattern of co-operative marketing of agriculture produce, distribution of production requisits and supply of consumer goods at different levels and indicate the future patterns of development with particular reference to the relationship between the organisations at different levels.
- ii) To indicate the role of co-operative marketing in an integrated structure of credit supplies and processing and how best this role can be discharged.

In 1966, the committee submitted its report. The future pattern of organisation of marketing co-operative should be a two tier structure with the apex society at state level primary marketing society at Mandi level and branches of the apex marketing society at District or Regional level. In state where three tier structure already exists the existing district federations need not be disturbed. Such District Federations should however gradually divest themselves of these functions which legitimately fall within the purview of the primary marketing societies in favour of the latter. The marketing society may undertake both agricultural marketing as well as distribution and supply function. There is no need to form separate societies for distribution and supply functions.

Finance for Co-operative Marketing

Internal Resources

A primary marketing society will need a capital of 2 lakhs to enable to have a reasonable business turnover. A primary agricultural credit or service or multipurpose co-operative society should be required to contribute to the share capital of the marketing society to which it is affiliated at the rate of 2% of its annual loan turnover in the preceding co-operative year. Each member of a primary co-operative marketing society should be required to subscribe to the share capital of the primary marketing society in relation to the services received by him from the society. Government contribution to the share capital of primary marketing societies should be raised substantially so as to reach a minimum of Rs. One lakh per society so that with its own matching contribution each primary marketing society may have minimum share capital of Rs. Two lakhs. The apex marketing societies should take steps to affiliate the marketing or processing societies which have not been affiliated so far. Fifty percent of the statutory reserve fund of primary marketing societies may be invested in the higher tier of the co-operative marketing structure and the rest fifty percent may be invested in their own fund.

External Resources

In consultation with the concerned state Governments the State Bank of India should take steps to provide adequate funds to meet the requirements of marketing co-operatives. The Reserve Bank of India may consider permitting the State Bank of India to borrow from its additional funds at bank rate to enable the State Bank of India to meet the requirements of marketing societies, in regard to their marketing activity in all areas and distribution functions in area selected for intensive agricultural development.

Business Technique

If the marketing co-operatives are to serve the small producers they should be prepared to make out-right purchase. The National Federation and the apex marketing societies should endeavour to find avenues for the sale of the produce of their member societies at the most favourable terminal markets and to sell the produce at such markets directly undertaking inter-state trade or export.

Linking of Co-operative Credit with Marketing

For the effective link of co-operative credit with co-operative marketing is that adequate and timely credit should be provided to the farmer for agricultural production and partly for his consumption so as to when him away from the private trader. The credit society should obtain agreements from their members who are given credit requiring them to sell their surplus produce through the marketing society and also authorising the latter to recover the dues to the credit society from the sale proceeds.

An agreement between the credit society and the marketing society is required to define their mutual responsibilities regarding collection of produce and its transport, recovery of loans, mode of remittance etc. The credit societies should have a statutory charge on the crop loans issued through a suitable provision in the Co-operative Societies Act as recommended by the Committee on Co-operative law.

Distribution of essential consumer articles in rural areas through Co-operatives

The credit societies of the village area themselves should undertake supply of essential consumer goods to the farmers as part of their service function. In areas where wholesale co-operative stores exist nearby, the village co-operatives may obtain the requirements of consumer goods direct from such consumer stores relieving the marketing society of the work. The consumer stores are organised in the Mandi or nearby towns, the primary marketing society may undertake supply of essential consumer goods to the village co-operatives.

Co-operative Development in Five-Year Plans

"The attainment of independence in 1947 and the consequent establishment of national government in the country came in as a fountain of inspiration for the co-operative movement also. The constitution of India in the Directive Principles of State Policy laid down that the citizens will have a right to an adequate means of livelihood; the ownership of national resources of the country will be so distributed as to ensure the common good; and the

operation of economic system will not result in the concentration of wealth to the common detriment."¹¹

India has set before itself the objective of a "Welfare State" and of an around development of the country's economy after the achievement of Independence. To achieve this goal necessity has been felt on embarking on a well defined programme of planning starting with the fixing of objectives and assessment of resources; continuing with the framing of realistic targets of production, employment and national income and closing with evaluation of results. Planning for the economic and social uplift of the country has thus been the high light of democracy in independent India. The Five Year Plans in our country are, thus schemes for a rapid development of all resources human and nature.

Co-operation and Economic Planning

For economic development, planning is very much essential. Planning is an organisational effort to increase the quantity and improve the quality of resources in collective manner and thus to bring about the development. This organisational effort includes direction, regulation, control of private activity and increase in the sphere of public activities. This also implies the participation for all the organs of the Government and a large number of individuals and non official organisations.

In 1938, the need for planning in our country was for first time felt by the Indian National Congress. In 1938 a National Planning Committee was appointed under the chairmanship of late Sh. Jawaharla Nehru. This committee brought out many useful reports containing useful material and statistical data. Its work was suspended due to political upheavals in the country. In 1943, the Bombay plan was formulated by a group of industrialists, which could not be put into practice. In 1946 the economic programme committee was set up by the Indian National Congress, which submitted the report in 1948 to the congress. The planning commission was set up by the Government of India in March 1950 with the Prime Minister as its chairman. It prepared a draft outline of a plan of development for a period of Five Years Commencing from 1st April, 1951 upto 31st March 1956. The plan included a number of development projects

which had already been taken up in hand as well as those which were aimed to be taken up under the plan period upto the end of March 1956.

Co-operative Development in First Five Year Plan 1951 - 56

The first five year plan, therefore assigned an important role to co-operative organisations in the reconstruction of Indian economy, "It is an indispensable instrument of planned economic action in democracy."¹² The first five year plan was launched in 1950 - 51. The duration of the first five year plan was 1951 - 56.

The first five year plan stated, 'The Principle of Mutual aid, which is the basis of co-operative organisation, and the practice of thrift self help which sustain it, generate a sturdy feeling of self-reliance which is of basic importance in a democratic way of life.

In the plan, we consider that every department should follow the policy of building co-operatives which may eventually replace the contractor or other middleman. Thus the First Five Year Plan aimed at changing the economy of the country from an individualistic to the co-operative.

"The first plan had due consideration for the co-operative development but it did not make much head-way due to various factors like, inherent less membership and less loan operations, heavy overdues, less deposit mobilisation, lack of uniformity in policy formulation and implementation, lack of diversified economic activities under co-operative sector, lack of co-ordination between the Central Government and the State Governments in relation to co-operative policy planning and implementation."¹³

Objects of the First Five Year Plan with Reference to Co-operatives

- (i) Co-operation was recognised as an instrument of democratic planning, combining initiative, mutual benefit and social purpose.
- (ii) East village should have co-operative society which will cater to the multiple needs of its members.
- (iii) By 1955-59, co-operation should cover 50% of India's villages, and 30% of rural population.

- (iv) In the first five year plan the Government should take steps to encourage co-operative farming.
- (v) The plan also stressed the need for having adequately trained staff for facilitating the growth of the co-operative movement.
- (vi) The First Five Year Plan gave more importance to the co-operative marketing for ensuring the better price for agriculturists.
- (vii) By the end of First Five Year Plan, Co-operatives should supply credit for agricultural production to the tune of Rs. 130 crores per annum. That is Rs. 100 crores for short term loans, 25 crores for medium term Loans Rs. 5 crores for long term loans.
- (viii) The co-operative agencies in the village should have the closest relationship with village panchayat.

Progress of the Co-operative Movement during the First Plan

The progress achieved by the co-operative movement during the First Five Year Plan is indicated in the following table.

TABLE 2 : 3

	1950-51	1955-56
1. No of primary agricultural credit societies	1,15,462	156930
2. Membership (in lakhs)	51,54	77.91
3. Average Membership per society	45,00	49,00
4. Percentage of rural population served	10,03	15,06
5. Loan Issued (Rs. in crores)	22.90	50.16
6. Average Loan per member (Rs.)	45.00	64.00
7. Average Share Capital per Society(Rs.)	727.00	1051.00
8. Average working capital (Rs.)	3447.00	4946.00
9. Average deposits per Society	391.00	441.00
10. Percentage of over due to outstanding	21.00	25.00

Source : National Council for Co-operative Training of N.C.U.I. "Co-operation", 1995, p-44.

From the figures it may be seen that by the end of the First Five Year Plan i.e. 1956 about 15.6 percent of the rural population had come within the co-operative

sector. The amount of the loan issued is doubled by the end of First Five Year Plan. The membership and number of societies showed an increase of 32 percent and 51 percent respectively.

While the First Five Year Plan recognised the importance of co-operation, the onus of execution was thrown completely on the users. It was certainly a very heavy responsibility that the co-operators were called upon to undertake.

Impacts of the Movement

The First Five Year Plan targets could not, therefore, be achieved. Various factors were, however, responsible, i.e.,

(a) The co-operative movement had its own weaknesses, for instance, small membership, weak capital structure, heavy overdues, failure to encourage savings and thrift, lack of properly trained staff etc. and the co-operatives could not, therefore, fulfil the role assigned to them.

(b) The policy of the State Government was also not clearly defined in this regard. The schemes framed by various State Governments were not uniform in their objectives and the methods of their implementation differed from state to state.

(c) The Co-operative movement was not adequately broad-based.

Achievements

In the First Five Year Plan, for achieving the goal of co-operative socialism, the planning commission laid emphasis on co-ordination between village panchayats and co-operative societies, multi purpose societies, co-operative farming and industrial co-operative societies.

Report of Rural Credit Survey Committee

The Reserve Bank of India conducted an All India Rural Credit Survey in 1951, whose report was published in 1954. In consequence of its recommendations, an integrated scheme of "Rural Credit" was executed in this plan. The State Governments were authorised to become partners of the primary credit societies through the State Co-operative Banks. In this plan 130 crores were distributed through the co-operative credit societies.

"The committee reported that the co-operative movement was expected to provide controlled credit which firstly, must be adequate, i.e., to quantity must be commensurate with the production requirements of the borrowers, and secondly, must be suitable i.e., loan should be given at a reasonable rate of interest for production requirements."¹⁴

Second Five Year Plan in 1956 - 61

The Planning Committee had expected much during the First Five Year Plan, but the achievement of First Five Year Plan, and the role of the co-operatives did not satisfy the planners. But still the planners had high hopes to develop the co-operatives during the plan.

Allocation of Funds

Economic development on co-operative offers a vast field for the application of co-operation in its infinitely varying forms according to the Rural Credit Survey Committee report. The report added that the fields marked specially appropriate for the co-operative method of organisation were agricultural credit, marketing and processing, all aspects of production in rural areas consumers, co-operatives stores and construction co-operatives.

The second Five Year Plan provided ample opportunities to co-operatives to prove their worth, and the building up of co-operative sector become one of the important aims of our national policy. An allocation of Rs. 57 crores was made for development of co-operatives during the plan period.

Role of Co-operatives during Second Plan

The planners pinned high hopes on the co-operatives and development of co-operatives was made an aim of national policy.

Each village co-operative society should be self-sufficient unit and should be so sized that mutual knowledge of the members was possible.

Co-operative and agricultural departments should look into the existing programme of rural credit and wherever necessary loose points were to be lightened. As the work increased staff should also be increased. The co-operative should be given more decision making powers.

The Second Five Year Plan aimed to build up large co-operative sector. The planned document stated, "the building up of a co-operative sector as part of the scheme of planned development is one of the central aims of National Policy"¹⁵ "The targets fixed under the plan were raising of membership of agricultural societies to 50 million persons, at least 10 percent of marketable surpluses to be marketed through co-operative sector and supply of agricultural credit to the extent of Rs. 225 crores." - ¹⁶ "The need for developing co-operative marketing was also emphasized from the point of view principally on ensuring better prices to the cultivators."¹⁷

The planners made it clear that, the building up of a co-operative sector as a part of scheme of planned development in thus one of the central aims of national policy.

Objects of the Second Five Year Plan with Reference to Co-operation

1. The organisation of large sized societies.
2. The federation of village societies should be organised at various levels.
3. There should be close collaboration between co-operatives, panchayats and community development agencies.
4. Strengthening of departmental staff, employees of co-operative societies to cope with growing volume of work.
5. Training of departmental staff, employees of co-operative societies etc.
6. Existing small co-operative societies were strengthened by providing them financial assistance.
7. The establishment of central and state warehouses.
8. The organisation or reorganisation of primary marketing societies.
9. To provide the Central Land Mortgage Banks in states where they did not exist.
10. The establishment of a Relief and guarantee Fund at the state level.

Progress of the Co-operative Movement during the Second Five Year Plan Period

TABLE 2 : 4

Field of activity	1955- 56	1960 - 61
1. No of Societies (in lakhs)	2.40	3.32
2. Membership of primary societies (in lakhs)	176.00	342.00
3. Share capital (Rs. crores)	77.00	221.00
4. Working capital (Rs. crores)	469.00	1312.00
5. Loans advanced by primary societies (Rs. in crores)	50.00	209.00
6. Percentage of villages covered	-	75.00
7. Percentage of Rural population covered by primary credit societies	12.00	24.00
8. Average Loan advanced per member (Rs)	64.00	119.00
9. Average membership per society	49.00	80.00
10. Average paid-up capital per society (Rs.)	1051.00	2722.00
11. Average deposits per society (Rs)	441.00	688.00
12. Average working capital per society (Rs.)	4946.00	12913.00

Source : National Council for Co-operative Training of N.C.U.I. "Co-operation", 1995, New Delhi.

From the progress made it is clear that a good base had been built in the field of cooperation during the plan period.

Third Five Year Plan in 1961 - 66

Co-operation found a significant place in agriculture, medium and small scale industries and distribution system during the period of third five year plan. The planning commission, recognising the importance of a rapidly growing co-operative sector laid special emphasis on the role of movement for fulfilling the needs of the peasants, the workers and the consumers.

The Third Plan was conceived as the movement was considered to be the most vital factor for social stability, for expanding employment opportunities and for the rapid economic development of the country.

The Third Five Year Plan provided Rs. 80 crores for development of co-operation. The target was to raise the number of co-operative agricultural credit societies, so as to bring 100% villages under the sphere of this co-operative

movement. "The Plan visualized for the co-operative sector something much more than a series of activities organised on co-operative line."¹⁸

Objectives of the Third Five Year Plan

1. The agricultural credit movement should cover all the villages and 60% of the agricultural population by the end of the Third Plan.
2. Essential commodities should be distributed through consumer co-operatives in rural and urban areas.
3. The co-operatives and Panchayats were to be treated as primary agencies for carrying out the community development programme.
4. The third plan also included a vast net work of non-credit co-operatives like housing, farming, fisheries, dairy etc.
5. Credit was to be lined with marketing.
6. Credit was to be linked closely with programmes for increasing agricultural production.
7. Targets for co-operative credit were fixed at Rs. 530 crores of advances of short term and medium term and Rs. 150 crores of outstanding long term agricultural loans to the last year of the third plan.
8. Government should participate at all levels. At the primary level such contribution should be matched in equal measures by the members, the maximum contribution from the state being Rs. 5,000.
9. 25 new sugar factories of co-operatives were proposed to be set up during the Third Plan.

Progress during the Third Plan

The progress achieved by the co-operative movement during the Third Plan can be described as under :

Coverage of villages

The primary agricultural credit societies could cover only 5,02,816 villages

out of 5,63,629 villages in the country by June in 1966, as against 100% coverage aimed at in the Third Plan. The coverage of villages was 82% out of the target.

Organisation of Societies

Against the target of 2,30,000 societies expected to be formed by the end of the Plan, the number of societies at the end of the Third Plan was 1,91,904 societies on 30th June 1966 of which the number of active societies was 1,68,224.

Revitalization

The process of revitalization of primary credit societies to which the Third plan laid the greatest emphasis, proceeded at slow pace. Despite the programme of revitalisation the majority of the agricultural credit societies remained weak and inefficient. About 32% of societies worked at a loss or without profit or loss moreover nearly 80% of the audited societies were classified at C.D. or E.

Achievements

The percentage of the village covered by the active societies was only 82% out of the target fixed.

The target of the formation of credit societies in the third plan was not fulfilled as per target.

There was a much scope of work to be done in the field.

The 3rd plan document observed, " a rapidly growing co-operative sector with special emphasis on the needs of the peasant, the worker and the consumer become a vital factor for stability, for expansion by employment opportunity and for rapid economic development."¹⁹ The working group recommended that "both co-operatives and panchayat,s being democratic bodies, one could not be subordinated to the other and should remain autonomous bodies."²⁰

Fourth Five Year Plan in 1969 - 74

More importance was given to agricultural co-operatives and consumer co-operatives for development during the Fourth Five Year Plan period. The

Fourth Plan aimed to cater farmer's requirement to the greatest extent so that level of production increased. The target of this plan was to bring the entire village and 3/4 of population under co-operation. The plan ensures that co-operatives have large and varied opportunities before them for effective use.

Objectives of Fourth Plan

- 1. Co-operative Credit :** The important tasks during the Fourth Plan was to reorganise the primary credit structure so as to place it on a viable credit, rehabilitation of weak central Banks, reduction of overdues, and encourage deposit mobilization. The Fourth Plan envisaged disbursement of short and medium term credit to the extent of Rs. 750 crores in the last year of the plan and Rs. 700 crores for long term credit.
- 2. Small Cultivators :** The main aim of the Fourth Plan was to encourage the small farmers, in which the policies and procedures of credit co-operative and Land Development Banks would be oriented infavour of small cultivators and hence the policies were modified considerably.
- 3. Co-operative Marketing :** The fourth plan laid emphasis on strangthening the co-operative marketing structure. The co-operatives were expected to handle in 1973 - 74 of the Fourth Plan, 8 million tonne's of foodgrains, 36 million tonnes of sugarcane, 0.6 M. tonnes of groundnuts, 10,000 tonners of fruits and vegetable and 1.8 million tonnes of cotton. At prevailing prices the value of agriculture produce likely to the handled by marketing and processing co-operatives was expected to the order of Rs. 900 crores during 1973 - 74. They were also expected to handle agricultural commodities of the value of Rs. 25 crores in interstate trade and Rs. 10 crores in trade.
- 4. Processing of Co-operatives :** In the Fourth Plan it was proposed to organise 550 co-operative agricultural processing societies.
- 5. Consumer Co-operatives :** In consolidation and strengthening and not organisation of new consumer co-operative societies was the aim of the Fourth Five Year Plan. Attention was also given to the organisation and strengthening of central consumer co-operatives with a view to develop them as large sized multi retail unit co-operative societies.

The State and Central Federations were also to play a vital role in the development of consumer co-operatives.

Progress during the Fourth Five Year Plan

The performance of the co-operative movement during the Fourth Plan was rather below expectation.

Only the marketing of agricultural produce exceeded the targets fixed in the plan. In respect of other items such as co-operative credit and co-operative storage the targets were achieved substantially but in other items there were major short falls. The main short fall was however, in the distribution of chemical fertilizers.

To review the system of rural credit, the Reserve Bank of India appointed All India Rural Credit Review Committee in 1966. The said committee recommended "to adopt multi agency approach for providing institutional credit for achieving integrated rural development and also to overcome structural weakness inherent in the co-operative credit structure in the country."²¹

Achievements

The achievements of fourth plan exceeded in procurement of agricultural produce against the target fixed in the plan. Other achievements of the plan fell short of the targets.

Fifth Five Year Plan in 1974 - 79

A special emphasis was proposed to be given on building up of strong and viable co-operative sector during the Fifth plan period. The aim of the planners was to make co-operative as a viable alternative which could respond to the needs of not only peasants but also of the artisans and workers on the one hand and consumers on the other. In this plan also agricultural co-operatives were to be strengthened, for agricultural development consumer co-operatives were also be encouraged during the Plan.

Objectives of Fifth Plan

- 1 To strengthen the network of agricultural co-operatives, to sustain the Agricultural development.

2. To build up a viable consumer co-operative movement which can function as an important element in a consumer oriented distribution system.
3. To make efforts towards the correction of regional imbalances in the level of co-operative development.

Targets of Co-operative Development

In this plan structural reforms received special attention. It was decided that re-structure and reorient the co-operatives according to their activities increasingly in favours small and marginal farmers and other under privileged sections of the people. New concept of a farmers service society postulated by the "National Commission on Agriculture," (1) reorganisation of consumer co-operative societies, (2) reorganisation of co-operative agricultural credit societies, (3) Changes in bye-laws and procedures, (4) The plan gave special focus to the co-operative managers and (5) structural changes should be made for the development of co-operatives.

Target of the Plan

For this plan period some targets were fixed. It was decided that short term credit amounting to Rs. 120 crores will be advanced, medium term credit of Rs. 350 crores against Rs. 200 crores provided during the Fourth Plan, long terms loans of Rs. 120 crores against 900 crores during the previous plan.

Progress during the Fifth Plan

1. **Co-operative Credit** : The major objective of the Fifth Plan was to give credit to small and marginal farmers.
2. **Co-operative Marketing** : The planners wanted to strengthen co-operative marketing structure particularly in the weaker state. It was estimated that about 100 new marketing primaries would be organised during the fifth plan. It was hoped that by the end of the plan the co-operative should handle agricultural produce of Rs. 1900 crores.
3. **Plan and Consumer Co-operatives** : The planners wanted to reorganise the consumer stores and set up in a new modernised retail units. It was proposed

that 30% urban population will be covered under co-operatives, during the plan period.

4. Co-operative Distribution of Agricultural Inputs : During the fifth plan all viable societies were to have a full time Secretary. He would be involved in the distribution of agricultural inputs, namely fertilizers.

5. Co-operative Training and Education : During the fifth plan the co-operative training and education programmes were conducted at all levels of the co-operative movement.

6. Co-operative Management : During the fifth plan the Managers were trained to manage the co-operative institutions suitable measures are taken for the establishment of cadres at appropriate levels in the different sectors of the co-operative movement.

Outlays of Fifth Plan

The total public sector outlay for the programmes of co-operative development during the Fifth Plan would be Rs. 423 crores as against an estimated expenditure of Rs. 258 crores in Fourth Plan. The following was the break down of fifth plan outlay.

TABLE 2 : 5

	Rs. Crores.
State and Union Territories	286
Centrally sponsored scheme	44
Central Sector	93
Total	423

Source : National Council for Co-operative Training of N.C.U.I. "Co-operation", 1995 p-52.

The above figures indicate the fact that in the fifth plan the expenditure on co-operation increased nearly twice that of the Fourth Plan

Government attached great importance to co-operatives and its view of that unless co-operative movement is encouraged and developed, many of our existing rural problems in the country will not be solved. Co-operative will thus

continue to get maximum care and attention. " The co-operative movement was recognised to serve as an important instrument for implementing national policies of "growth with social justice."²²

Sixth Five Year Plan in 1980 - 85

Tasks :

1. To strengthen the primary village societies for satisfying the multi-purpose needs their members.
2. Re-examination of co-operative policies and procedures towards the economic conditions of the rural poor.
3. For the development of horticulture, food processing, poultry, diary, fishery, animal husbandry, sericulture etc. the co-operative federations be strengthened supplying input, marketing and other services.

Programme in the Sixth Plan

The voluntary and social action was to be promoted in the sixth plan. Central sector scheme taken up during the fifth plan was to be continued during the Sixth Plan with the primary objective of promoting voluntary action in rural development through the strengthening of local organisation and encouragement of pilot projects of public co-operation through financial assistance to states and voluntary organisation.

Targets of the Plan

TABLE 2:6

Physical Programme	Unit	Anticipated achievement 1979 - 80	Target for 1984 - 85
1. Short Term loans	Rs. Crores	1300	2500
2. Medium term loans	Rs. Crores	125	240
3. Long term loans	Rs. Crores	275	555
4. Agl. product marketed through co-op.	Rs. Crores	1750	2500
5. Fertilizer to be distributed through co-op. quantity value	Lakhs Tonnes	23.50	45.00
	Rs. Crores	900	1600
6. Consumer goods to be distributed through co-operatives	Rs. Crores	800	200
in rural areas	Rs. Crores	800	2000
in Urban areas	Rs. Crores	800	1600

Source : National Council for Co-operative Training of N.C.U.I., "Co-operation", 1995, p-53.

The total Central plan outlay for various schemes of co-operation for the Sixth Plan period (1980 - 85) was Rs. 330.15 crores. The state plan outlay and union territories was Rs. 53408 crores. Thus total public sector outlay on various schemes of co-operation was Rs. 864.23 crores.

Achievement of Plan

At the end of Sixth Plan 1984 - 85 the short term loan and the Medium term loans advanced amounted to Rs. 2500 crores and Rs. 250 crores respectively.

The long term loan advanced by co-operatives were estimated at Rs. 500 crores. The target of the agricultural produce marketed by the co-operatives was of Rs. 1750 crores but actual value of sales increased to Rs. 2700 crores by the end of 1984 - 85 3.63 Million tonnes of fertiliser valued Rs. 1500 crores were distributed by co-operatives.

The value of consumer goods distributed in rural areas as well in urban areas through co-operatives was Rs. 1400 crores.

At the end of the plan 185 sugar factories were installed and 90 co-operative spinning Mills were installed.

The Major development in the Sixth plan was "setting up of NABARD in 1982 was the turning point in the history of agricultural credit in India." ²³ National Bank for Agricultural and Rural Development had taken planning and operations in the field of credit for agricultural and other economic developments in rural areas from Reserve Bank of India.

Seventh Five Year Plan in 1985 - 90

Targets of Co-operative Programme in Seventh Plan

Rupees in crores

TABLE 2 : 7

Sl. No.	Programme	Base Level 1984-85	Plant target 1989-90
1.	Short-term loans	2500	5540
2.	Medium-term loans	250	500
3.	Long-term loans	500	1030
4.	Value of agricultural produce marketed through co-operatives	2700	500
5.	Fertilizer sold quantity (Million tonnes)	3.63	8.33
6.	Value	1500	3400
	Value of consumer goods distributed		
	(a) Rural areas	1400	3500
	(b) Urban areas	1400	3500
7.	Godown capacity (Mill. tonnes)	8.00	10.00
8.	No of Sugar factories	185	220
9.	No. of Spining mills	90	130
10.	No of edd. Storages	185	250

Source : National Council for Co-operative Training of N.C.U.I., "Co-operation", 1995, New Delhi.

Objects of the Seventh Plan

1. To promote development of Agricultural credit societies.
2. Realignment of procedures of policies of co-operatives, to expand the flow of credit to weaker sections.
3. Strengthening the consumer co-operative movement in the urban as well as rural areas for the purpose of pivotal role in the public distribution system.
4. Promoting professional management and strengthening of effective training facilities for improving the operational efficiency.

Eighth Five Year Plan in 1992 - 1997

The Eight Plan document does not make any specific mention about the role of co-operatives and also does not define the perspective for co-operative development, some of its enunciations provide that there may be sufficient opportunities for co-operatives in different sectors provided they harness their own resources and managerial capabilities. The following are the important areas where co-operatives sector may have opportunities to expand in the changed environment ushered in by the new economic policies :

1. Agriculture particularly agricultural credit and marketing.
2. Agro-based industries and food processing industries.
3. Animal husbandry in dairy
4. Rural Development in poverty alleviation.
5. Women
6. Irrigation
7. Environment protection
8. Village and small scale Industries.
9. Rural Electrification; and
10. Development of tribals.

New Co-operative Policy

The Government has drafted a 10-point co-operative policy to give impetus to the co-operative development. From the policy statement it is clear that co-operatives may have ample opportunities in the promotion of agro-processing

and cottage industries to emerge as principal sources of income for small farmers and artisans, landless agricultural labourers and share croppers. Besides, there is a provision that assistance will be provided to co-operatives to obtain advance technology from other countries without affecting their autonomy and organisational integrity. This also opens up appreciable opportunities to co-operatives particularly for the development of artisans and labourers.

Ninth Five Year Plan

Role of the co-operative sector

The following features of the Indian economy of relevance to the co-operative sector emerge from the projections :

- (a) Community and co-operative land and water development schemes and self-help credit and marketing co-operatives will be critical to the achievement of food security and agricultural output and employment requirements.
- (b) Co-operatives will have to adjust to relatively faster growth for non-cereals and non-crop based activities.
- (c) Co-operative sector will have to engage in cost reduction and diversification in first - stage processing of agricultural produce like sugar refining, cotton ginning, agricultural storage, vegetables and fruits processing etc. If it is to maintain its momentum in the increasing access of agricultural surplus to regional, national and global markets.
- (d) The co-operative sector will have a role to play in the fragile and difficult agrieological regime - as also to strengthen the institutional base of suport to the small farmers and agricultural tenant.

TABLE 2 : 8

Land and water Resources in Perspective

Sl.No.	Variable	1991 - 92	1996 - 97	2001 - 2	2006 - 7	2010
1	Population (Millions)					
	a. Optimistic	856	938	-	945	1110
	b. Medium	856	945	-	1002	1201
	c. UN (FAO)	836	-	1002	-	1223
2.	Net area sown (mm. hec.)					
	a. Planning					
	Commission estimate	140	141	141	141	NA
	b. Revised	-	141	141	141	141
3.	Gross area sown (mm.hec.)					
	a. Planning					
	Commission estimate	182	191	197	203	NA
	b. Revised	183	191	197	205	211
4.	Gross Irrigated Area (mm. in hec)					
	a. Planning					
	Commission estimate	76	89	102	114	NA
	b. Revised	64	78	92	107	114
5.	Cropping Intensity					
	a. Planning					
	Commission estimate	1.30	1.35	1.40	1.44	NA
	b. Revised	1.30	1.35	1.40	1.45	1.50
6.	Gros Irrigated Area as% of gross Area sown					
	a. Planning					
	Commission estimate	41.5	46.9	51.7	56.0	NA
	b. Revised	35.0	41.0	46.0	51.0	54.0

Source : Perspective Planning Division, Planning Commission FAO. Agricultural Towards 2010, Rome Revised projections are by the authors.

TABLE 2 : 9

Assessment of Eighth Plan and Projection for Ninth and Tenth Plans

(M. Hec. = Million Hectares)

Item	1991-92 Actual	1992-93 Actual	1993-94 Actual	1994-95 Estimate	1995-96 Estimate	1996-97 Estimate	2001-02 Projections	2006-07
Net area sown (M, Hec)	141.4	NA	NA	NA	NA	141.4	141.4	141.4
Gross area sown (M. Hec.)	182.7	NA	NA	NA	NA	191.1	198.1	205.6
Gross Irrigated area (M. Hec.)	64.00	NA	NA	NA	NA	77.6	91.6	106.6
Fertiliser Consumption (Million tonnes)	12.7	12.2	12.4	13.9	14.9	15.9	20.9	26.0
Cropping Intencity	1.29	NA	NA	NA	NA	1.35	1.40	145.4
Gross Irrigated area as% of grosscropped area	35.0	NA	NA	NA	NA	40.6	46.2	51.8

@ Based on Land Utilisation Statistics.

Source : Ninth Plan Perspective : Role of Co-operative in various segments of co.op. Movement
Co-operative Planning Council, N. C. U. I. New Delhi.

Projections of per capita consumption of agricultural Processed Commodities
in India in the Years 1996 - 97, 2000, 2006 - 07 and 2010.

TABLE 2 : 10

A. Planning Commission Projections

Item	1991-92	1996-97	2006-07
1. Foodgrains (Kgs/Year)	180	194	225
2. Edible Oils (Kgs/Year)	7.9	9.8	13.6
3. Sugar (Kgs/Year)	14	15	19
4. Cloth (Metre/Year)	19	24	34
5. Milk(Litres/Year)	6.8	7.5	NA
6. Population (Million)	856	938	1102

B. F. A. O. Projection

TABLE 2 : 11

Item	1989-90	200	2010
1. Calories (Person/day)	2229	2377	2492
2. Foodgrains(Kgs/Year)	168.0	175.0	175.0
3. Edible Oils (Kgs/Year)	7.0	8.5	9.6
4. Milk (Litres/Year)	5.4	5.8	6.4
5. Eggs (Nos/Year)	1.2	1.5	2.0
6. Vegetables and fruits (Kgs/Year)	82.8	98.8	114.1
7. Sugar (Kgs / Year)	23.1	24.0	25.3
8. Population (million)	836	1042	1223

C. Prof. ALagh's Projections

TABLE 2 : 12

Item	1989-90	2010
1. Calories (Person/day)	2235	2500
2. Foodgrains(Kgs/Year)	170	180
3. Edible Oils (Kgs/Year)	7.0	9.0
4. Milk (Litres/Year)	6.3	7.5
5. Eggs (Nos/Year)	26	43
6. Vegetables and fruits (Kgs/Year)	97	131
7. Sugar (Kgs / Year)	12.5	15.0
8. Population (million)	856	1224

Source : Ninth Plan Perspective : Role of Co-operative in various segments of co.op. Movement Co-operative Planning Council, N. C. U. I. New Delhi.

Policy Frame for the Co-operative Sector in the Ninth Plan

"The co-operative sector have to play a leading role in the efforts towards mobilisation of un-utilised resources.²⁴ With the expansion and diversification of agriculture out put, there will be greater opportunities open to the co-operative sector to participate in the processing and marketing of various agriculture commodities."²⁵

Distribution of Inputs

In the Ninth Plan framework, efforts will be made to evolve greater co-operative efforts in the distribution of critical inputs which are essential for sustaining and diversifying agricultural production and growth as also the growth of small scale sector including handlooms, handicrafts etc.

Rural Electrification

In the Ninth Plan there is the need to develop co-operatives operated by Panchayat and other local bodies for distribution of power in the rural areas. The emphasis in these ventures would be on

- (a) Improvement in the collection of dues.
- (b) Reduction in the theft of electricity.
- (c) Reduction in the overall transmission and distribution losses.

Rural Tel-Communication

In the Ninth Plan period the rural co-operatives may also be encouraged to help in the installation and distribution of tele-communication facilities in the rural areas. However, the modalities for undertaking this venture will have to be worked out in consultation with the Department of Tele-communication.

Storage Capacity

"Keeping in view the post-harvest losses of various agricultural crops as also the necessity to store the inputs like fertilizers, seeds etc., the emphasis on the creation of adequate storage capacity in the co-operative sector will continue to be laid in the Ninth Plan."²⁶

Taxation Laws

The Tax Reforms Committee appointed by the Government of India recommended re-designing of the scheme of taxation of co-operatives on the following lines :

- (a) Deduction at present available to the co-operative societies under section 80p in respect of whole of their profit from business should be

restricted only to 20% of their profits. However, all other deductions under section 80 p should be abolished.

(b) The income tax exemption limit for co-operative societies should be fixed at Rs. 25,000.

(c) The total income of the co-operative societies in excess of the exemption limit should be subjected to tax at a flat rate of 30%.

Concept of Agri-Business Consortium

The concept of Agri-Business Consortium has been introduced by the Government of India as a component of reforms in the agriculture sector. The idea is to organise certain well-defined activities around small farmers in the rural areas so as to bring about improvement in the economic well being of the lower strata of our society. This scheme has started its operation during 1994-95 and is expected to gather momentum during the Ninth Plan period.

Policy Imperative

Keeping in view the importance of the co-operative structure in our country, it is evident that these organisations will have ample opportunities in the promotion of agroprocessing and cottage and rural industries which will emerge as principal source of income for the weaker sections of society including small farmers, artisans, landless agricultural labourers and share croppers. Besides, the co-operative need to be encouraged to obtain advanced technology for upgradation and modernisation from other countries without affecting their autonomy and organisational integrity.²⁷

The government should take steps to enable the co-operatives to promote efficient functioning in the changed circumstances. Some of such steps at the level of Government may be as follow :

- 1) Government as a policy should recognise co-operation as a sector as it was done in the case of public and private sectors. The National co-operative Union of India has been pleading with the Government to recognise co-operation as a sector. But so far Government has not given any consideration towards this demand of the movement, the result is

that long-term policy perspective about strategy for co-operative development has not found place in the Eighth Plan document.

2. While a lot of freedom has been given to private sector in the present economic reforms, co-operative sector still continues to be over-regulated and over administered. What is necessary is that the same amount of de-regulation should be extended to co-operative sector also.

3. The Government should continue to extend effective support to co-operative sector so that its benefit, flow directly to the producers, small men as also general masses.

4. In the field of agro-business, agro-industries and exports, co-operatives should be given priority and preference.

5. Co-operative Bank of India which has been incorporated should be allowed to function so as to bridge the systematic gap within the co-operative sector.

Another important policy imperative relates to evolving ways and means to mobilise resources both within the co-operative sector and at co-operative enterprise level from grass root to territory level. Emphasis should be laid on creation of workable mechanism for the purpose. Organisation of self-help groups of weaker sections linked with co-operatives and establishment of urban Co-operatives Banks in each district and Women urban Co-operatives can go a long way in mobilisation of resources.

Structural re-adjustments or organisation has become the most significant aspect of market oriented economy. While bold steps are being taken in private sector, co-operative sector remains somewhat lukewarm in this regard. There is a need to introduce comprehensive structural reforms in co-operative sector aiming at creation of strong primary base and self-reliant and competitive federal structure which is responsive to attract investment and technology.

The National Policy on Co-operative Movement for the Ninth Five Year Plan is under preparation in the Union Ministry of Agriculture. It is hoped that the above policy parameters having a bearing on the growth and functioning of the co-operative movement will find an eminent place in this National Policy.

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