

Chapter I

THE PROBLEM

1.1 INTRODUCTION

The English rulers in India stopped their Government level exploitation of Indian people in the twentieth century. Even though the business of British trading and industrial companies continued to earn and repatriate profits, the British Government in India took up promotion of agriculture and other spheres in India in right earnest. The irrigation projects were taken in various parts of the country. Such projects as the Mettur-Cauvery and Nira Valley Projects, the Sutlej Valley Project, Lloyd Barrage and Canal, the Sarda Canal, the triple canal Project, the Punjab and the Sind Canal Colony Works and the Ganga Canal are but some examples. Whatever the British did was, however, limited by the experience and limitations of their civil servants and experts. But there is little doubt they wanted to apply their knowledge and experience to raise the productive capacity and the productivity of Indian agriculture. The agricultural departments were set up in all British Indian provinces. The Imperial Institute of Agriculture was founded. The Agricultural Colleges were also set up.

Even in the nineteenth century the Land Improvement Act (1883) and the Agriculturists' Loans Act (1884) were passed. These were indirect results of the work of Royal Commission of Agriculture and of the Famine Commission (1880) and the idea of an Agricultural Bank of Sir William Wedderburn (1882). The new laws offered

low interest rate loans for being used in productive processes. Sureties were necessary. These laws provided what is regarded as the takkavi system. The Government administered the sanctioning of loans and the accounts are maintained by the officials of the Government.

One difficulty with the takkavi system is that the borrower can never work out empathy for the lender. Again, he can have similarly no feeling also for fellow borrowers. Both these difficulties bear on the giving and the recovery of loans. So the opinion gained ground that a system of institution where borrowers will participate in management would be better than the takkavi system. So debates, discussions and expert reports led to the appointment of a committee on Cooperative Credit Societies. This Committee met in Calcutta in 1900. The Committee approved the formation of agricultural cooperative credit societies on the Raiffeisen model.

The year 1844 saw the emergence of the Rochdale pioneers in England. The twenty-eight immortal pioneers set up a cooperative of non-profit stores in order to obtain relief from their own low wages and high prices charged by non-cooperative shops. Democratic management by members (one member enjoying one vote), reduction in costs payable by members, avoidance of piling up of dividends at excessive rate are the three principles these pioneers passed on to successive cooperative societies.

Raiffeisen in Germany carried forward later in the nineteenth century the work of cooperative philosophy further and

developed a revolutionary model for agriculture. The merit of this system stems from the fact that the members have unlimited liability. Since the members' liability is not limited to their amount of shares, the savers who open accounts with or deposits money for a longer term at the society feel that their savings are insured without the existence of an external deposit insurance corporation. What is more, since the inefficient management of funds might cause sudden depletion of their material resources the members are obliged to be ever vigilant to make sure that their society does not commit mistakes. In rural areas, far off from regional centres, the Raifeisen cooperative societies made wonders in Western Europe.

It is rather unusual for the English ruler in India to introduce this model of agricultural cooperative credit societies almost at about ~~the~~ same time when the Raiffeisen model just passed the first experimental test. The first cooperative legislation, namely, the Cooperative Credit Societies Act of 1904 was passed after the deliberations of another committee with the publication of the Report of the Famine Commission in 1901.

The Act of 1904 was not an elaborate legislation. It specified that rural credit societies would be of unlimited liability. Urban credit societies were to be limited. The Cooperative Societies Act of 1912 made improvements upon the 1904 Act. The agricultural cooperative credit societies were to be unlimited. In these cooperative societies one member had one vote. But in limited liability non-agricultural cooperative societies a member could have as many votes as may be prescribed by the byelaws.

There was no provision even for temporary taking over or domination of cooperative societies by the Government. The Government, however, could inspect and recommend for liquidation of societies. In other words the societies were allowed to develop freely. Only when the societies could no longer sustain themselves the Government might make arrangements for liquidation after thorough enquiry.

The Bengal Cooperative Societies Act of 1940 allowed the running and registration of agricultural cooperative credit societies with unlimited liability. But for the first time Indian political parties had already come to power in various provinces. So vote-catching politicians were unwilling to offer complete freedom to the cooperative societies. The subsequent Acts in Bengal (West Bengal) in 1973 and 1983 tightened the Government noose on agricultural credit societies and prevented the new agricultural cooperative credit societies from being registered with unlimited liability.

1.2 THE PROBLEM

The Cooperative Societies in the rural sector have played a big part in America, Western Europe and even in Israel to raise the level of productivity in agriculture and in turn assist in the process of reaching the high road of growth in the respective national economies. The form and management of these societies have never been what we now find in vast majority of our cooperative societies.

The problem to investigate in this study is to discover the correct pattern of agricultural cooperative societies — the pattern that might usher in an in-built urge for growth and in turn can usher in a process of high development in the members' productive activities. All the existing agricultural cooperative credit societies except the one, namely, Sridharpur Cooperative Bank are Government dependent cooperative societies without free initiative. So we compare the performance of the agricultural cooperative society at Sridharpur with unlimited liability with the performances of two Government initiative cooperative societies. On the basis of this comparison based on data we make some recommendations in the last chapter.

1.3 THE METHODOLOGY

In the first stage we make a list of agricultural cooperative societies in some districts of northern and southern West Bengal. We find that all societies except the one at Sridharpur are limited. But the Sridharpur Society is with unlimited liability. So from the limited liability agricultural cooperative societies we select two of the oldest societies. Simultaneously we study the working of the agricultural cooperative society with unlimited liability at Sridharpur.

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The up-to-date performance is made on the basis of analysis of historical data collected from the cooperatives as well as their members. The prospects of dynamism are discussed on the basis of quantitative measurement of input responses.

1.4 A SHORT OVERVIEW

The second, third and the fourth chapters deal respectively with cooperation as an instrument of growth, general experience in India and the cooperative movement in Bengal. The fifth chapter deals with the history of one of the oldest agricultural cooperative credit societies of West Bengal. The sixth chapter analyses the achievements and impact on the village economy of this society. The seventh studies the success story of the Sridharpur Cooperative Bank and the eighth its impact on the village economy. The ninth chapter analyses the experience of a government initiative agricultural cooperative marketing society. The last chapter includes the recommendations and warnings.