

## Chapter III

### GENERAL EXPERIENCE IN INDIA

#### 3.1 INTRODUCTION

There was in existence of the traditional forms of cooperation in India ever since the dawn of her history. These forms of cooperation continued over centuries in the socio-economic activities of the people of India. The term "Cooperative Society" was heard in the eighties of the 19th century when the Deccan saw the threat of the farmers of Poona and Ahmednagar against the money lenders. In 1901 the Indian Famine Commission pleaded in support of establishing agricultural banks similar to the mutual credit associations of Europe. Accordingly, the government of India appointed a committee headed by Sir Edward Law in the year of 1901. This committee known as Law Committee made proposals for the formation of cooperative credit societies in India. On the basis of the recommendation of the Law Committee the Cooperative Credit Societies Act of 1904 was passed which, in fact, marked the milestone in the modern cooperative movement in India.

#### 3.2 THE FIRST PHASE

Though Lord Curzon was much criticised for the partition of the then Bengal in 1905 he was at the same time able to win the loud approval by passing the Cooperative Credit Societies Act, 1904 which began the "Cooperative Era" in India. This Act permitted the formation of rural credit societies with unlimited

liabilities and the urban credit societies with limited liability. The Cooperative Credit Societies Act, 1904 was founded on the English Friendly Societies Act with the inclusion of the provision of corporate existence of the cooperative societies. It was put into practice to the whole of British India. The Act was highly elastic and gave full freedom to the provincial governments to make rules for proper functioning of the credit societies in their respective local circumstances. The framers of the Act made it very simple and elastic for proper understanding of the provisions to the members giving institutional autonomy to the cooperative credit societies.

The growth of the cooperative credit societies from 1906 to 1911 is shown in table 3.1

Table 3.1  
Growth of Cooperative Credit  
Societies from 1906 to 1911

Year	Number of Societies	Number of Members	Amount of Working Capital (Rs.)
1906-07	843	90,844	23,71,683
1907-08	1,357	1,49,116	44,14,086
1908-09	1,967	1,80,338	82,32,225
1909-10	3,428	2,24,797	1,24,68,312
1910-11	5,321	3,05,058	2,03,05,800
1911-12	8,177	4,03,318	3,35,74,162

Source: Statistical Statements relating to the Cooperative Movement in India, RBI, 1959-60.

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One serious drawback of the Act of 1904 was that there was no provision for the non-credit cooperative enterprises and central agencies for finance or for supervision. The Cooperative Societies Act of 1912 permitted the formation of both credit and non-credit societies and the central agencies. This Act gave a great stimulus to the cooperative movement in our country. Under this Act societies were classified into limited type societies and unlimited type societies. Also this Act gave recognition of three kinds of central societies, namely, cooperative unions, central cooperative banks and provincial cooperative banks. Under this Act the Registrar of Cooperative Societies appointed by the Provincial Government was given authority to look into the affairs of the societies. In a word, the Act of 1912 helped to infuse some new energy into the cooperative movement.

In the year 1915 the Government of India appointed a committee under Edward Maclagan to study the activities and progress of the various types of cooperatives both in urban and rural areas. The committee pointed out that the cooperative movement of the country was hampered due to illiteracy and ignorance of the rural people. Also the committee stated that most of the managing committees of cooperative societies were advancing loans to their kiths and kins violating rules and norms. In its recommendation the Maclagan Committee stated that the delay in advancing loans to the farmers helped to drive them to the usurious money-lenders.

### 3.3 THE SECOND PHASE

Historically the benign British rulers of India wanted to bestow self-government on us by stages. The British Rulers salvaged their conscience by making cooperation as a transferred subject with the passing of Montegu-Chelmsford Reforms Act of 1919. Under the Reforms Act of 1919 the provincial governments were advised to have their own legislations on cooperation. The Bombay government was the first province to have its own Act in 1925. The Madras government passed its Act in 1932. Bihar and Orissa governments passed their Acts in 1935 and the Bengal government passed its Cooperative Societies Act in 1940. Tripura and Mysore enacted their laws in 1948 and then followed other states and Indian territories.

The cooperative movement gathered great momentum during 1914-29 especially in the fields of non-credit and industrial societies. Many noteworthy experiments were tried in these directions with success. The table 3.2 shown below represents the growth of societies of all types, their members and their working capital.

Table 3.2  
Growth of Societies, Their Members and  
Working Capital

Year	Number of Societies	Number of Members	Working Capital (Rs in thousand)
1914-1915	17,327	8,24,469	1,22,292
1916-1917	23,336	10,48,425	3,11,225
1921-1922	52,182	19,74,290	3,11,225
1923-1924	61,116	23,13,567	4,05,297
1925-1926	80,182	30,58,625	5,76,039
1927-1928	96,091	30,70,173	7,67,087
1929-1930	1,04,187	41,81,904	8,95,178

Source: Statistical Statements relating to the Cooperative Movement in India, Reserve Bank of India, 59-60.

The cooperative movement of our country suffered a setback as a result of the economic depression of the thirties when the prices of agricultural commodities came down abnormally. The movement came to grief first in Burma and then suffered seriously in prestige in Bihar, Bengal and many other provinces which ultimately resulted in heavy overdues and defaults in the societies. The government of India appointed the Central Banking Enquiry Committee in 1931 to examine the existing positions and functioning of the cooperative societies and to suggest ways to develop the system of cooperation. As a result, the Reserve Bank of India was established in 1935. The Agricultural Credit Department of the Reserve Bank of India maintained an expert staff to study the problems of agricultural credit and to tender advice to the central and the state governments as well as to the central cooperative financing agencies.

### 3.4 THE THIRD PHASE

The Second World War began in 1939. As a result of the outbreak of this War the cooperative movement of our country entered into a new phase. During this time the value of money fell short and the prices of necessities and that of the agricultural products increased sharply. This resulted in quick recovery of the overdue positions of cooperative credit societies. Naturally the financial position of the societies started improving. Not only the credit societies there was a remarkable development of the non-credit societies during this period. A number of types of cooperatives such as marketing, sale and purchase, housing came into existence which began to play a vital role in the development of agricultural sector. Also producers societies, weavers societies, milk supply unions, motor transport societies and many other forms of societies of non-credit types were formed.

The Second World War created some abnormal conditions, which, in turn, led to some far-reaching developments in the cooperative sector. The growth of the number of societies, membership and their working capital during 1931-45 is shown in table 3.3.

Table 3.3  
Growth of Societies, Membership and  
Working Capital from 1931 to 1945

Year	Number of Societies (in thousand)	Membership (in lakh)	Working Capital (in crores)
1931-35	105.71	43.22	94.61
1936-40	116.96	50.77	104.68
1941-45	149.19	77.18	124.35

Source : Review of the Cooperative Movement in India,  
1939-46

Table 3.4 shows the picture of improvement in the financial position of the agricultural societies during 1938-39 to 1945-46.

The position of multipurpose societies in regard to their number, working capital, deposits, loans, repayments, overdue, etc. in United Provinces, Bombay, Central Province and Behar and Bengal during 1940-41 to 1945-46 is shown in table 3.5.

Table 3.4

Growth of Societies, Membership, Owned Capital, Deposits,  
Loans, Working Capital, Recovery, Overdues etc from 1938 to 1946.

Year	No. of Societies		Membership (millions)	Owned Capital		Deposits (Crores)	Loan from	
	Credit	Others		Share Capital (crores)	Reserves (Crores)		Provincial & Central Banks (Crores)	Govt. (Crores)
	(In thousands)							
1938-39	93.8	11.5	3.6	4.0	8.7	2.8	16.0	0.1
1939-40	101.4	17.3	4.1	4.1	8.3	2.5	15.5	0.1
1940-41	104.1	19.6	4.3	4.1	8.5	2.5	15.3	0.1
1941-42	194.6	19.6	4.6	4.3	8.7	2.5	14.6	0.1
1942-43	110.6	15.4	4.5	4.5	8.8	3.0	12.7	0.1
1943-44	115.2	19.6	4.8	4.9	9.5	4.0	11.3	0.1
1944-45	115.8	20.6	5.0	5.2	10.1	4.4	10.6	0.2
1945-46	124.2	22.8	5.5	5.9	10.6	5.4	10.9	0.2

Source : Review of the Cooperative Movement in India, 1939-46.



Table 3.4 (Contd..)

Working Capital (Crores)	Fresh Advances to individuals (Crores)	Recoveries Non-individuals	Outstandings (Rs in crores)	Overdues	Non-Credit activities	
					Sale of goods to members (Rs in crores)	Purchase of members' Products (Rs in crores)
31.6	6.7	6.2	24.0	11.2	0.9	1.0
30.5	7.4	8.0	23.1	10.7	2.6	3.2
30.5	7.5	7.9	22.5	10.4	2.0	2.1
30.2	8.2	8.9	21.7	10.0	2.1	2.3
29.1	10.8	12.3	20.0	9.1	4.5	4.1
29.8	11.5	13.1	17.9	7.9	7.3	6.2
30.5	11.8	12.2	18.2	6.8	12.4	6.9
33.0	14.6	13.8	18.9	6.2	17.5	11.3

Table 3.5

Multipurpose Societies in United Provinces, Bombay, Central Provinces & Behar and Bengal during 1940-41 to 1945-46

Details of Working	United Provinces		Bombay		Central Provinces & Behar		Bengal	
	1940-41 (In thousands)	1945-46 (In thousands)	1940-41 (In thousands)	1945-46 (In thousands)	1940-41 (In thousands)	1945-46 (In thousands)	1940-41 (In thousands)	1945-46 (In thousands)
No. of Societies	2214	6692	70	264	14	104	33	218
No. of Members	57269	148271	3476	20925	1370	10745	44228	76898
Working Capital	2850.6	8037.7	190.3	2460.9	35.8	312.3	127.0	2281.5
Deposits from members	134.3	407.3	18.1	335.0	1.1	148.3	2.4	226.8
Deposits from Non-Members	49.7	91.1	23.0	370.7	12.1	4.7	2.2	36.2
Fresh loans to Members	1706.7	5689.5	181.8	1187.5	63.3	135.9	10.3	31.4
Repayments of loans by Members	1358.6	4063.2	-	-	36.1	140.3	45.1	31.6
Loans Outstanding With Members	2182.2	6202.4	132.3	910.6	28.2	52.0	23.3	49.5
Loans Overdue	314.2	437.7	17.9	167.3	0.1	5.7	21.8	13.4
Purchase of Produce	92.8	167.6	28.7	1134.3	0.5	528.5	67.0	1119.8
Sale of Goods	139.1	202.4	70.3	6448.9	3.1	781.8	33.5	15916.9

Source: Review of the Cooperative Movement in India, 1939-46.

### 3.5 THE FOURTH PHASE

With the attainment of independence and the partition of our country the cooperative movement began to attract the active attention of the government as well as of the people. But the partition of the country gave a big shock to the movement in the country as a whole which dislocated members of many cooperative societies from one side to the other, creating huge problems which were settled almost after twenty years.

The government of India appointed the Rural Banking Enquiry Committee in 1950 which recommended that due to many defects the banking facilities could not extend in the rural areas. The Committee gave more emphasis on tapping rural savings rather than to suggest measures for providing finance to the rural areas and relied upon cooperative banks for the short-term finance. Accordingly the Reserve Bank of India convened a conference of co-operators, banking experts, economists in 1953 to formulate the role and find out the planned approach to the problems of rural finance. The conference recommended the formation of a small expert committee to design and advice on the details of the rural survey and accordingly a committee known as the Rural Credit Survey Committee under the Chairmanship of A.D. Gorwala was appointed. The Rural Credit Survey Committee recommended that the Reserve Bank of India should collaborate with the State Governments in drawing up plans for the reorganisation of the cooperative credit institutions.

The integrated scheme of development was put into operation with effect from April 1, 1956 and the Reserve Bank of India, during 1956-57, played an important role under the integrated

scheme of rural credit which linked cooperative credit with cooperative marketing. In the second five year plan cooperative development followed the pattern suggested by the Rural Credit Survey Committee. During the second plan the membership of the cooperative societies went up from five millions to fifteen millions and the volume of agricultural credit increased from about Rs. fifty crores to Rs. two hundred crores. The progress of the movement from 1951-52 to 1959-60 is given in table 3.6.

Table 3.6

Progress of Cooperative Societies of all Types,  
their Membership and Working Capital

Year	Number of Societies of all Types (Rs. in thousand)	Membership of Primary Societies of all Types of (Rs. in lakhs)	Working Capital of all Types of Societies (Rs. in crores)
1951-52	185.60	137.92	306.34
1952-53	189.40	143.16	327.10
1953-54	198.60	151.80	351.79
1954-55	219.30	160.21	390.52
1955-56	240.00	177.21	469.00
1956-57	244.70	193.78	567.67
1957-58	258.00	244.23	696.17
1958-59	283.09	274.35	879.58
1959-60	313.04	303.12	1083.46

Source : Statistical Statements relating to the Cooperative Movement in India, Reserve Bank of India, 1959-60.

Under the third five year plan the development of cooperative sector found its due place. The plan envisaged a growing cooperative sector in respect of agriculture, small and medium-sized industries, trade, distribution etc. Organisation and reorganisation of 2,200 primary and 50 wholesale cooperative stores and organisation of 3,200 farming societies in 320 pilot projects was also included in this plan.

The total borrowing of cultivating households in the country from all sources during 1961-62, according to the All India Rural Debt and Investment Survey (1961-62), were estimated to be Rs. 1,034 crores, as against which the loans advanced by primary agricultural credit societies and land mortgage banks during that year amounted to Rs. 2.44 crores. Though the performance of cooperative societies showed variations as between different states, their impact on the agricultural credit situation was significant in most of the states, both in terms of the proportion of credit needs of cultivating households met by them and, the proportion of borrowing cultivating households financed by them. This may be seen from table 3.7. Table 3.7 shows that the progress of cooperative credit was relatively small in Orissa, West Bengal, Assam, Bihar and Rajasthan.

Table 3.7

Proportion of credit needs of cultivating households met by Primary Agricultural Societies and Land Mortgage Banks  
(Rs. in Crores)

States	Total borrowings to cultivator households in 1961-62	Loan and advances by primary agricultural credit societies and land mortgage banks during 1961-62	Column 3 as percentage of column 2	Proportion of borrowing members to total estimated cultivator members in 1961-62 (Percentage)
Maharashtra	83.16	45.61	54.85	34.9
Gujarat	70.93	29.04	40.94	30.3
Madras	101.98	31.53	30.92	40.1
Orissa	13.06	3.61	27.64	6.5
Punjab	59.39	16.11	27.13	42.2
Madhya Pradesh	75.00	18.56	24.75	15.6
Uttar Pradesh	162.05	38.18	23.56	22.5
Andhra Pradesh	112.84	24.68	21.87	20.2
Mysore	79.97	15.05	18.82	25.5
Jammu & Kashmir	7.49	1.33	17.76	43.2
Kerala	41.01	6.66	16.24	21.6
West Bengal	47.44	4.71	9.93	8.4
Assam	5.51	0.35	6.35	2.4
Rajasthan	105.80	5.52	5.22	9.9
Bihar	61.23	2.52	4.12	4.9
Union Territories	7.22	0.83	11.49	3.7
All India	1034.09	244.34	23.63	19.7

Source : Review of the Cooperative Movement in India, 1962-64, RBI.

The changes in the number of different types of primary cooperative societies during 1961-62, 1962-63 and 1963-64 are shown in table 3.8

Table 3.8  
Position of Cooperative Societies  
(Credit and Non-Credit) during 1961  
to 1963

(Numbers in Thousands)						
	1961-62		1962-63		1963-64	
	No. of socie- ties	Percen- tage to total	No. of socie- ties	Percen- tage to total	No. of socie- ties	Percen- tage to total
<u>Credit Societies</u>						
Agricultural	215	65.0	211	62.8	210	60.5
Non-agricul- tural	12	3.6	13	3.9	13	3.7
<u>Non-Credit Societies</u>						
Agricultural	34	10.3	35	10.4	38	11.0
Non-agricul- tural	70	21.1	77	22.9	86	24.8
Total	331	100.0	336	100.0	347	100.0

Source : Review of the Cooperative Movement in India,  
RBI, 1962-64.

The table shows that for the first time the total number of primary agricultural credit societies had decreased during 1962-64. But the number of villages served by these societies increased. The trend reflects the efforts of the State Governments towards revitalisation and reorganisation of primary credit societies by weeding out the dormant units.

The number of primary agricultural credit societies, the percentage of total number of villages covered by them, percentage coverage of rural population and the number of societies per 10,000 rural population in different states as on 1964, are given below in table 3.9.

Table 3.9  
Position of Primary Agricultural Credit  
Societies in Different during 1964

State	No. of Primary Agl. credit societies	Coverage of villages (%)	Coverage of Rural population (%)	No. of Societies per 10,000 rural population
Andhra Pradesh	15,518	94.6	30.94	5
Assam	5,244	62.5	14.43	5
Bihar	19,568	65.0	15.33	4
Gujarat	8,190	100.0	31.59	5
Jammu & Kashmir	1,204	82.8	45.14	5
Kerala	2,421	100.0	38.76	2
Madhya Pradesh	17,494	87.1	23.08	6
Madras	11,585	100.0	73.88	5
Maharashtra	19,938	98.7	38.91	7
Mysore	9,365	100.0	43.26	6
Orissa	5,443	41.8	12.24	5
Punjab	19,801	99.9	48.92	12
Rajasthan	12,474	79.6	25.01	8
Uttar Pradesh	46,231	100.0	34.42	7
West Bengal	13,040	73.9	13.91	7
All India	2,09,622	83.4	31.87	7

Source: Review of the Cooperative Movement in India,  
RBI, 1962-64.



According to the Review of the Cooperative Movement in India (1962-64), PACS were covered in all the villages of Gujarat, Kerala, Madras and Mysore. The coverage of villages was 95% or more in Andhra Pradesh, Maharashtra and Punjab. It was between 75% and 85% in Jammu and Kashmir and Rajasthan. The position was very poor in Orissa, West Bengal, Bihar and Assam. The coverage of villages in the country as a whole increased from 75% in 1962 to 83% in 1964. The number of societies per 10,000 rural population was highest in Punjab i.e. 12 and Jammu & Kashmir, Madras and Orissa. The coverage of the rural population in the country as a whole became 32% in 1964 which was 26% in 1962.

The cooperative credit for agriculture (both short-term and medium-term together) increased to Rs. 429 crores, long-term to Rs. 120 crores in 1967-68. The value of agricultural inputs sold by the cooperatives increased to about Rs. 250 crores in 1967-68. The total value of agricultural produce handled by the marketing and processing societies increased to Rs. 583 crores in 1968-69. Apart from this, there was formation of national federations and the reorganisation of the National Cooperative Union of India at the apex. Another important development during this period was the reorganisation of cooperative training programme. But one of the weaknesses of the cooperative credit system was the non-viability of a large number of primary agricultural credit cooperative societies. Therefore the programme for rationalisation of the cooperative credit structure had been undertaken.

After 1969, the government resorted to the policy of the multi-agency approach to the cooperative development particularly in the spheres of agricultural credit, marketing and processing, consumers' cooperation, industrial cooperation etc. through ushering in public and private sector enterprises to operate in those fields which were earmarked for cooperatives exclusively.

Total number of primary credit societies and their membership during 1970, 1971 and 1972 is given in table 3.10.

Table 3.10  
Primary Credit Societies and Their  
Membership during 1970, 1971 and 1972

Number	1970	1971	1972
Agricultural Cooperatives	1,62,700	1,60,780	1,57,454
Non-Agricultural Cooperatives	14,816	15,346	16,091
<u>Membership</u>			
Agricultural Cooperatives	2,97,66,000	3,09,63,000	3,20,09,000
Non-Agricultural Cooperatives	79,42,000	84,89,000	88,61,000

Source : Review of the Cooperative Movement in India,  
RBI, 1970-72.

In the fifth five year plan emphasis was given on strengthening primary agricultural cooperative societies. The major development in the field of credit during the sixth five year plan was the setting up of National Bank for Agriculture and Rural Development (NABARD) in 1982 which has emerged as an apex national institution

accredited with all matters concerning policy planning and operations in the field of credit for agriculture and other economic activities in the rural areas. The seventh five year plan embodied the main tasks on cooperation such as comprehensive development of primary agricultural credit societies to function as multipurpose viable units, policies and procedures of cooperatives to expand the flow of credit and ensure supply of inputs and services to the farmers, taking up of special cooperative programmes for implementation in the North Eastern Region, strengthening consumer cooperatives and promoting professional management and strengthening of effective training facilities for improving the operational efficiency. Recently the government of India have proposed to strengthen the cooperative credit structure along with organisational and structural changes.

### 3.6 CONCLUSION

The cooperative movement of our country is not based on the will of the people. The movement has been built up by the government. It would be worthwhile to recount government's integration with the cooperatives and certain gains accrued to the movement. The government's support to the cooperative movement has resulted in the speedy growth of the membership of cooperatives. But the fact is that the coverage of membership is hardly about 20 per cent of the total rural population. Owing to government's over-indulgence in the movement, the true character of people's participation in the activities of cooperatives does not find manifestation. The ultimate result is that, barring a few

examples, cooperatives could not develop as self-reliant independent institutions based on self-help. Therefore, instead of being a movement of the people, for the people and by the people, cooperation in India lasts depending on governmental help even after nine decades of life.