

Chapter IV

COOPERATIVE MOVEMENT IN WEST BENGAL

4.1 INTRODUCTION

It was Madras Government which first understood with mind the possibilities of cooperative movement in our country. To that objective the Madras Government sent Mr. Nicholson to Germany to study the activities of the agricultural and other banks in Europe. Mr Nicholson submitting his report concluded that we must "find Raiffeisen" in India. At the same time some benevolent English officers of Bengal, Uttar Pradesh and the Punjab earnestly wanted to set up cooperatives in the respective provinces. Notable among them was Mr. Maclagan, an ICS of Bengal, who did a Pilot work in the north-eastern part of the country and made conditions easy for the cooperative movement in various provinces including Bengal.

4.2 EARLY HISTORY

Like many other provinces the cooperative movement in Bengal was started in the year 1904 with the passing of the Cooperative Credit Societies Act, 1904. This Act only permitted the formation of primary credit societies. The Cooperative Societies Act of 1912 gave a stimulus to the movement in Bengal. According to the Act of 1912 the cooperative societies were classified into limited liability societies and unlimited liability societies. Also this Act permitted to open non-credit societies and federal societies. A period of twenty-five years from 1904 to 1929 was

referred to as the period of growth, expansion and diversification of different forms of cooperatives in Bengal. The 1st World War gave a great stimulus to some types of cooperatives. But due to hasty expansion the cooperative movement was faced with severe problems. The great depression of the thirties shocked the movement of Bengal. There were various reasons for the setback of the rural societies of Bengal during the thirties. Firstly, the agricultural prices were very sensitive. Secondly, there was economic instability. Thirdly, members of the societies were heavily indebted. Fourthly, there was tough competition from the money lenders and finally the weakness in the functioning of the societies was a dominant factor.

During the thirties almost all the central banks were affected due to non-recovery of credit and thus their capacity to advance loans was contracted. This has seriously affected the agricultural operations in Bengal. The Bengal Government placed funds at the disposal of the provincial bank for making advances to credit societies through the central cooperative banks. But this was a temporary measure. Soon the Registrar of Cooperative Societies placed a scheme of rehabilitation and proposals for credit facilities to the Bengal Government in 1940. The Bengal Cooperative Societies Act, 1940 was enacted which gave power of supervision and control to the Registrar of Cooperative Societies to facilitate the work of rehabilitation and promotion of growth of the movement on healthy lines.

4.3 SECOND STAGE

The Second World War and the famine of Bengal again shocked the cooperative movement of Bengal. During this period there was an artificial boom in the activities of the societies of multi-purpose type when the prices of essential commodities and that of the agricultural products rose abnormally. This had fallen the value of money which, in turn, resulted in quick repayment of cooperative dues. Thus the financial position of the societies started improving. Also some new forms of societies of non-credit types, namely, marketing, sale and purchase, housing and cottage industries came into existence. Also there was formation of consumers cooperatives and the producers societies. But the development of the societies shattered as soon as the government help was withdrawn. In the forties there were three types of cooperative institutions in Bengal, namely, land mortgage banks, rural cooperative societies and the sale and marketing societies.

In 1944 the government of India appointed the Agricultural Finance Committee to investigate ways and means of finding more funds for further development of agricultural finance and cooperatives. This committee suggested the formation of state-aided agricultural credit corporations in each province for providing agricultural credit. In 1945 a Committee known as the Cooperative Planning Committee was appointed which did not agree with the view made by the Agricultural Finance Committee. The Cooperative Planning Committee recommended that cooperation should cover the entire activities of the farming class. The main recommendations

of this Committee were accepted by the Registrars of Cooperative Societies of the provinces at a conference held at Madras in 1947.

A comparison of the rates of interest charged by the rural societies to their members in Madras, Bombay and Bengal was made in the Statistical Statements relating to the Cooperative Movement in India by the Reserve Bank of India for the years 1941-42 and 1942-43 to show the deterioration in the comparative positions of the primary credit societies in Bengal. According to this statement the Madras societies charged 7.5 percent, Bombay societies 9.4 per cent and the Bengal societies charged 12.5 percent to the members.

The Annual Report on the working of cooperative societies in the Presidency of Bengal, 1944 recorded that the position of the societies did not improve though the recoveries amounted to Rs. 47.33 lakhs which was Rs. 37.10 lakhs in 1942-43. Though the Cooperative Societies Act of Bengal, 1940 gave wide powers of control and supervision to the Registrar to facilitate the rehabilitation work and to promote the growth of the societies, the movement was stagnant.

4.4 THIRD STAGE

We have got our independence in 1947 and with this the cooperative movement entered its next phase. Since then the movement began to attract the attention of both the state and the Central Government and the people. Great value was attached to cooperative enterprises and it was expected to introduce cooperativ

enterprises in almost all spheres. But our independence was followed by the partition of the country into two sovereign states of India and Pakistan which created gigantic problems for our government to solve. The partition of Bengal again disrupted the weak structure of the cooperative movement. After partition of the country the cooperative societies in West Bengal were decreased to about 13,000 of which 9,500 were credit societies and 3,500 were non-credit societies. Also the Provincial Bank faced a grave financial crisis for majority of its investments had been made in East Pakistan. The state government came forward with an offer of Rs. 1.24 crores to the Provincial Bank for making up its losses in East Pakistan investments and for reviving the faith of its share-holders and depositors.

An arrangement was made with the Reserve Bank of India to extend financial accommodation to the Provincial Bank to enable it to pass down seasonal crop loans through central banks and their affiliated rural credit societies against state government guarantee. The Provincial Bank thus began to issue crop loans from 1949-50. In this year a sum of Rs. 50 lakhs was sanctioned. In 1956-57 and 1957-58 Rs. 1.02 crores and Rs. 1.50 crores was issued by the Provincial Bank as crop loans. The Reserve Bank of India sanctioned a credit limit of Rs. 2.50 crores in favour of the Provincial Bank in the year 1958-1959.

The rural societies of both credit and non-credit types were developing gradually. In 1955-56 there were 12,171 credit societies and 5,161 non-credit societies. The membership together

rose to 11.78 lakhs and their owned funds and working capital increased to Rs. 5.38 crores and Rs. 23.34 crores respectively.

The Second Five Year Plan in the cooperative sector envisaged a target of Rs. 150 crores, Rs. 50 crores and Rs. 25 crores respectively as short-term, medium-term and long-term loans towards rural credit requirements of the country as a whole by 1961-62. The corresponding targets in West Bengal was fixed at Rs. 6 crores, Rs. 2 crores and Rs. 1 crore respectively. Again the organisation of 10,400 large-sized credit societies came to be taken up in various states under the Second Five Year plan period. The corresponding target of this type of society was fixed at 1,100 in West Bengal.

The Report of the Committee on Cooperative Credit published by the National Cooperative Development Corporation (1963) showed that as on 30.6.1958 the number of primary credit societies and their membership in West Bengal were 12,591 and 4,60,000 respectively. The Report also represented the position of loans, outstandings, overdues and percentage of over dues to outstandings in the years 1956-57 and 1957-58. This is shown below in table 4.1.

Table 4.1
Position of loans, outstanding and
Overdues in 1956-57 and 1957-58

Year	Outstanding (in lakhs of Rs.)	Overdues (in lakhs of Rs.)	% of Overdues
1956-57	133.96	83.38	62.2
1957-58	200.08	95.62	47.8

According to the Review of the Cooperative Movement in India, Reserve Bank of India (1960-61), a noteworthy improvement in the overdues position occurred in West Bengal between 1959-60 and 1961-62. In 1959-60 and 1960-61 the percentage of overdues to outstanding loans of agricultural credit societies were 43 percent and 29 percent respectively, whereas in the All India picture these were increased from 21 percent to 25 percent.

Statistical Statements relating to the Cooperative Movement in India, 1963-64 show that at the end of 1963-64 the number, membership and working capital of all cooperative credit societies in West Bengal were 14,229; 16,73,000 and 82,09,00,000 respectively. In the year 1977-78 the number of societies were reduced to 10,427; but their membership increased to 35,85,000 and total working capital also increased to 4,50,04 lakhs.

Progress achieved by the rural credit societies in covering the rural population had been entirely unsatisfactory if it is compared with most of other states of India. The Audit Report of the country as a whole of 1961-62 shows that the proportion of A and B class societies to the total number of societies was 67 percent in Gujarat, 62 percent in Maharashtra and only 0.8 percent in West Bengal. The all-India average was 18. The proportion of D and E class societies to the total was 20 percent in West Bengal whereas it was 11 percent in all-India average. This rate was only 2.2 percent in Madras, less than 5 percent in Maharashtra, less than 7 percent in Gujarat and only 0.8 percent in Punjab. The ratio of C class societies was 80 percent in West Bengal. Another disappointing picture was that the percentage of dormant societies was 48 percent in 1962-63 as against the average of 9 percent as whole for India. There were only twelve primary land mortgage banks by 1962-63 with average assets of a little less than Rs. 5.40 lakhs. The number of primary marketing societies of all types was 277.

In 1962-63, West Bengal's position was fifth in respect of consumers cooperatives although the average size of these stores was comparatively lower than Maharashtra, Madras, Assam and Uttar Pradesh. The consumers stores in West Bengal had been conducting a larger volume of business on average. The average amount of sales per consumer store was Rs. 70,900. During 1962-63 the average volume of loss per store was only Rs. 1,500. All the favourable results were achieved by the primary consumers stores of West Bengal at a comparatively lower cost of management which

was amounted to only Rs. 1,700 per store as against Rs. 8,200 in Madras and Rs. 2,800 in Maharashtra. In regard to the primary housing societies the total number was only 141 in 1962-63, but the average number of members was very remarkable. The position of these societies was very good in respect of overdues. The proportion of overdues to loans outstanding was only 1.37 percent.

The West Bengal Government had undertaken a scheme for popularising cooperative farming societies with provision for managerial subsidy and capital loans and grants for such societies at a total cost of Rs. 5 lakhs. In 1956-57, 90 farming societies were registered which were gradually reorganised and revitalised. In 1963 there were 138 farming societies of which 81 were joint farming and 57 were collective farming societies. The Burdwan district had the highest share of farming societies amounting to 35 in number of which successful farming societies were located in Memari bloc.

The alarming increase in the overdues of cooperatives has severely affected the flow of cooperative credit of the farmers. The All India Rural Credit Review Committee (1969) estimated that the loans advanced by the rural credit societies in 1971-72 amounted to Rs. 611 crores. According to the Review of the Cooperative Movement in India, Reserve Bank of India (1970-72) there were 1,36,560 active societies in the country as a whole as on 30.6.1972. In West Bengal the number of these societies were 7,652 and the average of rural population by these societies were 34.8 percent. In 1970-71 and 1971-72 the total membership of these societies were 10,34,000 and 10,37,000 respectively of which

the borrowing members were 2,70,000 and 2,92,000 respectively. The percentage of borrowing members to total membership was 26.11 and 28.16 respectively. The overdues of three consecutive years, namely, in 1970-71, 1971-72 and 1972-73 were 9.50 crores, 12.43 crores and 14.59 crores respectively and the percentage of loans outstanding were 56, 71 and 79 respectively.

The West Bengal State Cooperative Bank has been seriously affected due to abnormal rise in overdues of Central Cooperative Banks. In 1970-71, 1971-72 and 1972-73 the overdue loans of the West Bengal State Cooperative Bank were Rs. 6,35,39,000; Rs. 6,96,79,000 and Rs. 4,40,41,000 respectively. The percentage of overdues to demand were 51.9, 47 and 36 respectively and the percentage of overdues to loans outstanding were 51.6, 55 and 35 respectively.

According to the Study Team Report on cooperative agricultural credit institutions in West Bengal (1972), the classification of banks according to the level of overdues to demand for 1970-71 gives the idea that the Central Cooperative Banks in Tamluk-Ghatal, Howrah, Nadia, Birbhum, Burdwan, Balageria and Mugberia had the level of the percentage of overdues to demand lowest i.e. less than 60 percent. It was more than 60 percent but not exceeding 80 percent in the Central Cooperative Banks of Purulia, Midnapore, Raiganj, Malda, Murshidabad, Hooghly, Jalpaiguri, Bankura and Darjeeling. The percentage of overdues were very alarming and highest i.e. over 80 percent in Cooch Behar, Kalna Katwa, Balurghat, 24 Parganas North and 24 Parganas South.

In all, the heavy overdues at the level of Central Cooperative Banks had impaired their capacity to borrow from higher financing agencies. Due to heavy overdues and the resulting deduction of loans from the higher financing agencies the Central Cooperative Banks adopted several restrictive practices and as a result the position of overdues since then was slightly improved.

A general information on cooperatives of all types from 1970-71 to 1989-90 is given in tables 4.2 to 4.18. These data have been collected from the Registrar of Cooperative Societies, West Bengal.

Table 4.2

Number of Cooperative Societies in West Bengal for years 1970-71, 1977-78 and 1978-79

Type of Societies	1970-71	1977-78	1978-79
No. of Societies			
(a) Credit Societies			
(1) State and Central Banks	22	18	18
(2) Land Development Banks	22	25	25
(3) Agricultural Societies	11,905	8,575	8,387
(4) Non-Agricultural Societies	1,077	1,809	1,903
Total Credit Societies	13,026	10,427	10,333
(b) Total Non-Credit Societies	6,822	9,941	10,294
Total Societies	19,848	20,368	20,627

Table 4.3

Membership of Cooperative Societies in
West Bengal for years 1970-71, 1977-78
and 1978-79

Type of Societies	1970-71	1977-78	1978-79
No. of Members (in thousand)			
(a) Credit Societies			
(1) State and Central Banks	16	13	4
(2) Land Development Banks	34	93	121
(3) Agricultural Societies	1,120	2,073	2,315
(4) Non-Agricultural Societies	1,210	1,412	1,432
Total Credit Societies	2,380	3,591	3,862
(b) Total Non-Credit Societies	776	1,052	1,277
Total Societies	3,156	4,643	5,139

Table 4.4

Financial Position of Cooperative Societies
in West Bengal for year 1970-71, 1977-78 and
1978-79

Type of Societies	1970-71	1977-78	1978-79
Working Capital (Rs in lakhs)			
(a) Credit Societies			
(1) State and Central Banks	4,287	16,901	22,141
(2) Land Development Banks	1,180	5,937	7,972
(3) Agricultural Societies	2,256	9,948	12,763
(4) Non-agricultural Societies	7,602	12,604	13,121
Total Credit Societies	15,325	45,390	55,997
(b) Total Non-credit Societies	2,047	9,357	9,779
Total Societies	17,372	54,747	65,776

Table 4.5

Loan advanced by the Cooperative Societies
in West Bengal for years 1970-71, 1977-78
and 1978-79

Type of Societies	1970-71	1977-78	1978-79
Loan Advanced (Rs in lakhs)			
(a) Credit Societies			
(1) State and Central Banks	1,451	10,932	11,810
(2) Land Development Banks	248	1,925	1,087
(3) Agricultural Societies	573	5,176	6,414
(4) Non-agricultural Societies	5,365	7,854	8,571
Total Credit Societies	7,637	25,887	27,882
(b) Total Non-credit Societies	93	530	1,432
Total Societies	7,730	26,417	29,316

Table 4.6

Number of Societies, Membership and
Working Capital in 1979-80, 1980-81
and 1981-82

Year	No. of Societies	Membership (in lakhs)	Working Capital (Rs in crores)
1979-80	20,885	52.08	309.00
1980-81	21,065	54.41	874.71
1981-82	21,429	57.40	886.77

Table 4.7

Average Membership per Society, Average Working Capital per Society etc

Year	Average Membership per Society	Average Working Capital per Society (Actual)	% of Agl. population covered	% of total coverage by Cooperatives in the State
1979-80	249	3,63,247	60.05	58.77
1980-81	258	4,15,244	67.00	50.00
1981-82	268	4,13,818	71.00	53.00

Table 4.8

Short-term and Long-term credit provided
by the PACS, Grain Banks and LDBs

Year	Credit Cooperatives		Short-term credit pro- vided by PACS & Grain Banks to Borrowers (Rs. in crores)	Long-term credit pro- vided by LDBs
	No. of Central Coopera- tive Banks	No. of Primary Credit Societies		
1979-80	17	7,589	38.18	101.65
1980-81	17	7,549	38.44	Not Avail- able
1981-82	17	7,574	Not Avail- able	105.52

Table 4.9

Consumers' Cooperatives: Number, Membership,
Share Capital & Working Capital

Year	No. of Societies	Membership (In lakhs)	Share Capital (Crores)	Working Capital (Crores)
1979-80	2,375	5.36	4.97	15.46
1980-81	2,368	5.26	5.58	17.00
1981-82	2,413	5.40	6.03	18.85

Table 4.10

State Cooperative Bank : Share Capital,
Deposits & Loan Advanced

Year	Number of Banks	Share Capital (Crores)	Deposits (Crores)	Loans Advanced (Crores)
1979-80	30	4.33	49.52	55.11
1980-81	30	4.28	58.97	42.02
1981-82	33	4.84	65.31	53.80

Table 4.11

Central Cooperative Banks : Deposits & Loans issued

Year	No. of Banks	No. of Branches	No. of Members Societies	Indivi- duals	Deposits (Crores)	Loans issued (Crores)	Loans Out-standin (Crores)
1979-80	17	162	9,900	2,662	53.10	66.55	96.14
1980-81	17	165	9,162	8,180	71.79	60.65	93.90
1981-82	17	171	9,116	13,104	79.60	65.65	102.34

Table 4.12
Primary Cooperative Land Development Banks

Year	No. of Societies	No. of Members	Share Capital (Crores)	Working Capital (Crores)	Loans Issued (Crores)	Loans Outstanding (Crores)
1979-80	24	1,30,000	3.5	46.13	7.43	35.11
1980-81	24	1,42,000	4.13	48.00	5.92	38.38
1981-82	24	1,50,000	4.56	53.07	6.35	39.98

Table 4.13
Primary Agricultural Marketing Cooperatives

Year	No. of Societies	No. of Members		Share Capital (Rs. in crores)	Working Capital (Rs. in crores)
		Societies	Individuals		
1979-80	303	8,709	1,29,732	2.73	14.55
1980-81	292	8,837	1,22,158	3.80	22.10
1981-82	296	8,675	1,08,711	4.08	23.33

Table 4.14
Primary Fishery Cooperatives

Year	No. of Societies	No. of Members	Share Capital (Crores)	Working Capital (Crores)
1979-80	782	56,911	0.20	1.18
1980-81	775	58,311	0.30	1.19
1981-82	798	60,702	0.27	1.28

Table 4.15
Number of Cooperative Societies

Type of Societies	1982-83	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90
(a) Credit Societies								
(1) State and Central Banks	18	18	18	18	NOT A V A I L A B L E	18	18	18
(2) Land Development Banks	25	25	25	25		25	25	25
(3) Agricultural Societies	7,580	7,510	7,692	7,719		7,464	7,526	7,561
(4) Non-Agricultural Societies	2,312	2,453	2,557	2,601		2,717	3,323	3,615
Total Credit Societies	9,935	10,006	10,292	10,363		10,224	10,892	11,219
(b) Total Non-Credit Societies	11,348	11,505	11,786	11,917		Not Avail- able	12,296	11,959
Total Societies	21,283	21,511	22,078	22,280		10,224	23,188	23,178

Table 4.16
Membership of Cooperative Societies

Number of Members (in thousand)	1982-83	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90
(a) Credit Societies								
(1) State and Central Banks	18	18	18	18		18	18	18
(2) Land Development Banks	25	25	25	25		25	25	25
(3) Agricultural Societies	7,580	7,510	7,692	7,719	NOT AVAILABLE	7,464	7,526	7,561
(4) Non-Agricultural Societies	2,312	2,453	2,557	2,601		2,717	3,323	3,665
Total Credit Societies	9,935	10,006	10,292	10,363		10,224	10,892	11,269
(b) Total Non-Credit Societies	11,348	11,505	11,786	11,917		Not Available	12,296	11,959
Total Societies	21,283	21,511	22,078	22,280		10,224	23,188	23,228

Table 4.17
Position of Working Capital of Cooperative Societies

Working Capital (Rs. in lakhs)	1982-83	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90
(a) Credit Societies								
(1) State and Central Banks	30,673	32,248	35,144	39,205	NOT AVAILABLE	55,370	59,269	44,162
(2) Land Development Banks	12,448	13,365	13,256	13,192		13,884	68,221	165,333
(3) Agricultural Societies	15,796	15,630	17,213	18,810		20,155	22,080	22,523
(4) Non-Agricultural Societies	22,759	21,993	25,451	26,762		30,419	21,719	23,891
Total Credit Societies	81,676	83,236	91,064	97,969		119,828	789,289	1,743,915
(b) Total Non-Credit Societies	18,115	28,426	23,491	21,187		Not Available	12,107	12,288
Total Societies	99,791	111,662	114,555	119,156		119,828	801,396	1,756,203

Table 4.18
Position of Loans Advanced by the Cooperative Societies

Loans Advanced (Rs. in lakhs)	1982-83	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90
(a) Credit Societies								
(1) State and Central Banks	11,283	10,231	12,414	17,341		14239	21054	16,328
(2) Land Development Bank	1,324	1,503	1,509	1,628		2205	134109	251780
(3) Agricultural Societies	3,804	4,811	4,780	7,193		6136	7620	10452
(4) Non-Agricultural Societies	11,961	10,483	10,654	4,513		13280	9568	10525
Total Credit Societies	28,372	27,028	29,357	30,675		35860	172351	289085
(b) Total Non-Credit Societies	800	3,057	700	877		Not Avail- able	Not Avail- able	Not Avail- able
Total Societies	29,172	30,085	30,057	31,552		35,860	172351	289085

4.5 CONCLUSION

The main obstacle in the way of the cooperative movement in the state of West Bengal is the existence of vested interest in it where a group of persons are controlling the affairs of the societies for a long period of time. Some dishonest persons are involved in corrupt practices. The existing Cooperative Societies Act of the state of West Bengal has given autonomy to the state government or the Registrar of Cooperative Societies to take upper hand in the affairs of the societies bypassing the principles of cooperation. It is necessary to make legislations in such a form so that the cooperative movement of this state would become a free and democratic without any external disturbance in it and would guarantee economic development of the state and the betterment of the condition of poor by full utilisation of local resources through cooperative enterprises. It is high time to create awareness among the people so that they can feel that cooperative societies are their own societies instead of thinking them as government societies by way of spreading education on true cooperative principles.