The Role of Cooperative Societies in the Economic Development of India

A. M. Rananavare

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THE ROLE OF COOPERATIVE SOCIETIES IN
THE ECONOMIC DEVELOPMENT OF INDIA

by
A. M. Rananavare

A thesis submitted in partial fulfillment
of the requirements for the degree
of
MASTER OF SCIENCE
in
Economics

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1964
PREFACE

The cooperative movement, which sets itself the objective of strengthening the position of economically weaker groups in society can make real contribution to the economic development of underdeveloped countries. In an underdeveloped country, such as India, great attention is given to the ways and means of stimulating economic growth, and the idea of cooperation is looked upon as one of the means that contribute to this end. This study provides a picture of the cooperative movement in India as it has developed since the passing of the First Cooperative Act in 1904.

I have endeavored to provide the highlights of the Indian cooperative movement, such as its history and development, kinds of cooperatives and their operations, and weaknesses and suggested improvements.

To Dr. L. J. Arrington, Professor of Economics, the author expresses deep indebtedness for his valuable suggestions, encouragement, and friendly supervision in the preparation of this thesis.

Sincere thanks are extended to Professors E. B. Murray, R. P. Collier, V. L. Israelsen, N. S. Cannon, and G. A. Meyer for their valuable suggestions and encouragement. I am thankful to Mr. P. L. Sabnis and the Embassy of India for sending useful material on this study.
Finally, many thanks to Mrs. Charell Harris who has patiently typed the manuscript.

A. M. Ranavare
GLOSSARY

1. Rs. = abbreviation for Rupee.
2. Indian Rupee = 21¢ U. S. money, approximately.
3. One lakh = 100,000
4. One crore = 10,000,000 rupees.
5. A district is a geographical subdivision comparable to a large county in the United States.
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CHAPTER I

COOPERATIVES

What are Cooperatives?

The idea of cooperation is not new to man. It is as old as man himself. Cooperatives are an almost universal form of organization today found in practically all countries and used by people in many ways. The cooperatives are formed to secure low cost credit, to purchase supplies and equipment for farming and household needs, to market products, even to secure many services, like electric power, irrigation, health, and insurance. Cooperatives can be used in many ways to benefit people in the everyday needs of life.

The meaning of cooperation is that isolated and powerless individuals can, by combining with one another, achieve advantages available to the rich and the powerful so that they may advance not only materially but also morally. In other words a cooperative is a business organization that is owned by those who use its services, the control of which rests equally with all the members. It is voluntary and democratic and the moral element is as important as the material one. Furthermore, it recognizes social, educational, and community values.

It is easier to understand the concept of the cooperative by knowing its specific objectives. They can be summed as
follows:

1) They aim to provide goods and services.
2) They aim to eliminate the unnecessary profits of middlemen in trade and commerce.
3) They seek to prevent the exploitation of the weaker members of society.
4) They aim to protect the rights of people both as producers and consumers.
5) They promote mutual understanding and education among their members and people in general.

Mr. W. P. Watkins of International Cooperative Alliance defines cooperation as: "A system of social organization based on the principles of unity, economy, democracy, equity, and liberty."¹

History and Principles²

England is the birth place of modern cooperatives. The weavers and other workers in the English textile industry were

²This and the following section on Aims and Objectives are based on the following references:

Ibid., pp. 1-20.


among the first to organize cooperatives for the purpose of improving their economic and social conditions. The movement, in its present form, dates from the founding of the Rochdale Society of Equitable Pioneers by a group of twenty-eight English workmen, chiefly flannel workers. They started on December 21, 1844, a small shop in Rochdale, Lancashire, with a small stock of flour, oatmeal, butter, sugar, and candles, purchased with a capital of 28 pounds sterling. This was a success and it grew into a strong national movement. It gave the town's name to the basic rules, the Rochdale Principles, which are known throughout the world.

These basic principles, although not actually enumerated by Rochdale, were based upon the practice of the pioneers:

1) Open membership without restriction to race, religion, sex, or political or other affiliations.

2) Democratic control, with one vote per member irrespective of the amount invested.

3) Limited return on the share capital, the value of the share never to rise above par.

4) Savings made from the business to be distributed periodically on the basis of the member's patronage.

5) Neutrality on the part of the association in political, religious, and other related matters.

6) Business carried on by cash basis.

7) Goods and products handled at current market prices.

8) Education for continuous expansion.
The cooperative movement based upon these principles, with some modifications, started to spread out in Europe. At about the same, particularly in Germany, F. W. Raiffeisen Associations and Schulze-Delitzsch "People's Banks" were started. From Germany the principles of cooperative credit spread to many other countries—again, with some modifications in form and method.

The growth and development of the cooperative movement is noteworthy. In Argentina, Denmark, and Norway the cooperative marketing of farm products and the purchase of farm supplies flourished. In other countries, such as India, Pakistan, and Rumania, numerous credit societies are found. In Soviet Russia and other Communistic countries the cooperative movement was taken over as an instrumentality of the state and used to serve its purpose. The prime essential in these countries, so that they could hardly be called true cooperatives.

In the United States the first known instance of consumer cooperation occurred in 1845, only one year after its beginning in England. A tailor in Boston, John Kaubach, started a cooperative for joint buying and distribution of household supplies for his labor union. In relation to the population and total retail and wholesale trade, the cooperative movement in the United States has not attained the importance it has gained in many other countries. The most important group of cooperatives in the United States consists of farmers' marketing and purchasing associations and credit unions.
During the World War II most of the cooperatives in Europe suffered severe losses of facilities and members. There has been a resurgence in recent years and it has not only regained its prewar strength but has surpassed its previous achievements. According to a 1959 survey by the International Cooperative Alliance, there are 153.3 million members in half a million societies in 49 countries.

A few words should be said about this International Cooperative Alliance. It was founded in 1895 as an association of national unions of cooperative societies to promote cooperation based upon voluntary and mutual help. At present it has 100 national federations of cooperatives in about 50 countries with a total membership of 150 million people.

The cooperative type of organization is playing an important role in the economic development of many countries. The main features of the expansion of modern cooperatives are:

1) New forms and many varieties of cooperative societies are developing. There is practically no kind of useful business that is not being done somewhere by a cooperative.

2) Special types of cooperatives within a region or a country are organized at two or more levels. For example, in the United Kingdom early consumer cooperatives have joined together to form a wholesale society.

3) Cooperative societies are spreading in all parts of the world. Very few countries do not have cooperatives influence.
Difference Between a Cooperative and Other Type of Business

Before entering into a detailed discussion of Indian cooperatives it is essential to know the difference between a cooperative and other types of business organization. The major differences can be summed up as follows:

1) An ordinary business organization is essentially a union of capital but a cooperative is a union of persons.

2) The main purpose of a business organization is to maximize profits but a cooperative is organized to provide service to its members at cost.

3) There may be a tendency for some corporations to limit the number of owners, while cooperatives almost invariably adopt an open membership policy.

4) The control of a corporation is based upon the number of shares held by an individual (one vote for each share, so that the one who has the most shares controls a corporation). But in a cooperative society every member has one vote irrespective of the shares he has.

5) The dividend on a share depends upon the amount of profit made by a corporation and the dividend policy of the management. In a cooperative, share capital is paid a fixed and modest rate of dividend.

6) In a corporation surplus earnings belong to the corporation, but in a cooperative society they belong to the members.

7) A corporation divides its profits according to the shares held; but a cooperative distributes its profit
according to patronage.

8) Corporation shares are traded in open market operation, and are subject to speculation; but cooperative shares are held in the name of members, and are not traded for speculation.

Aims and Objectives

The principal aims and objectives of the cooperative movement are:

1. Economic improvement: Cooperatives seek to prevent the exploitation of the weaker members of society.

2. Instrument of education: Cooperatives are a continuous source of education for the members. For example, a credit society teaches the proper use of money; a consumer cooperative trains the members in what to buy, and the true value of goods; a marketing society educates the producers in better methods of production.

3. School of democratic living: Cooperative organizations use democratic procedures in their meetings, selection of officers, and other matters of control.

4. Center for social harmony: Cooperatives tend to lessen the tensions of modern life and help people find a common ground on which they can work together.

5. Age of international understanding: Cooperatives all over the world understand one another easily because of their belief in the same principles of justice and humanity.

6. Cultural, spiritual improvement: Many people have never known anything but poverty and insecurity. Cooperation can remove barriers that stand in the way of a better life.
"Unity in diversity" is the keynote of Indian life. Multilingual, multiracial, multicultural, and multireligious, India through the years has woven into its life pattern multidimensional values based on a belief in fundamental unity. In the race-mix and the culture-mix that modern India represents, rich contributions have been made by different racial and cultural elements of history. The Dravidian, the Aryan, the Mongolian, the Saka, the Hun, the Greek, the Semittic, the Western European, such as the British, the French—all at one time or another, have added to the "mixture" that is Indian civilization.¹

Many people do not take the trouble to go beyond "Kipling's India" and still think of India as a land of Sadhus, tigers, and snake charmers. Modern India with all its poverty aims at something quite different. Changes in the economic, social, cultural, political, religious, and other aspects of life are quietly being made, but with firmness and by a democratic method, without any publicity and fanfare. Let us briefly look into India's general background—her history, culture, and religion—because Indian economic development depends to a considerable extent upon these factors.

General Background

India is a sub-continent with an area of 1,226,210 square miles. This area has been divided into fifteen states, six territories, and four special administrative areas. A variety of climate exists in India from scorching heat to freezing cold. The Monsoon is the dominant feature of Indian climate, which is unpredictable, and most of the farming land depends upon it.

Historically Indian civilization is one of the oldest and most highly developed civilizations of the world—dating back to 3000 B.C. The arts, crafts, and economic life in those days were well developed. The archeological remains of the Indus Valley and Mohenjodaro and Harappa are classic examples. During her history India has been repeatedly invaded by Aryans, Greeks, Scythians, Huns, Afghans, Turks, Moguls, Portuguese, French, Dutch, and Britons. With these invasions new customs and traditions were brought in. This is one of the major reasons one finds in India a variety of separate

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2 General Background and Economic Background Sections are based on the following references:


III. The Government of India, India Today (Delhi, 1962).

societies with their own ways of life.

Modern India's history really starts when she won her independence from Great Britain in 1947. But this was not old India but a divided one. Since her independence India has adopted a democratic form of government and has been one of the stabled governments among the newly developing countries of Asia, Africa, and Latin America. She is attempting a complex task of economic development. Her aim is to raise the standard of living of her teeming poverty-stricken millions, to expand literacy, education, and greater equality of opportunity, and to establish an independent position in the world. One should remember that her means are democratic where the value of dignity and freedom of the individual are recognized. In a land of illiterates, the constitution provides for adult suffrage. Indian democracy is still in its infancy and she has passed through many trials and tribulations.

No one can understand India without knowing about her culture, religion, and society. The ethnic history of India is extremely complex and racially distinct divisions between people cannot be drawn. The religion of 85 percent of the people is Hinduism, 10 percent are Moslems, 1.74 percent are Sikhs, and the rest are Christians, Buddhists, Parsees, and Jains. Hinduism plays the greater role in the social and political life, and in the formation of basic attitudes. The caste system is the distinct feature of Hinduism, but after independence a vigorous program of social, political, and economic reforms has caused old ideas to wither away.
It is an important characteristic of Hinduism that it tends to overcome competing religions by absorbing them and granting their beliefs a place within its wide, heterogeneous scheme. In this sense, it is amazingly and confusingly tolerant.\(^3\)

These different ethnic and religious groups speak about 14 different languages with 200 dialects. Hindi has been adopted as the official language even though English will still play an important role in the years to come.

### Economic Background

Agriculture is the predominant component of the Indian economy. Fifty percent of the national income is derived from agriculture and almost 75 percent of the people depend upon it as their main source of livelihood. The amount of arable land per person is very small, and this land is divided into uneconomic tiny fragmented pieces of land. The methods of cultivation are still primitive. A wooden or a simple iron plow is still used. The use of fertilizer is very limited. Water and soil conservation, transportation and communication, and marketing facilities are very poor. Both agricultural and industrial labor are characterized by low income and low living standards.

The Indian standard of living is one of the lowest in the world. An average Indian has $68 per year to provide for all his yearly wants. The second most populous country in the world, India has a total population estimated to be

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\(^3\)Loucks, *op. cit.*, p. 646.
450,000,000.

The average density of population is 312 per square mile. The rate of population growth is 8 million per year. This tremendous increase in population is one of the greatest obstacles to India's economic development. Most of the Indian people live in 558,089 rural agricultural villages (those with less than 5,000 population). Thus, rural development is the key to India's prosperity.

Since her independence in 1947, India has attacked her problems vigourously, even though the results are not up to expectations. The program for economic development has included three plans designed to raise substantially the social and economic conditions of the Indian people. These plans are intended to more than double the per capita income by 1977.

In the first five year plan (1951-56), the emphasis was put on agricultural and rural development, along with irrigation and electric power generation, and development of transportation and communication. During the second plan (1956-61) emphasis was placed on industrialization, especially the basic industries, education, and health.

The achievements of her first and second five plans covering the period between 1951-60 were mixed. National income rose 40 percent, per capita income increased 19 percent, industrial production jumped 70 percent, and agricultural production increased 33 percent. The literacy rate at the present time is about 40 percent.
During the first plan, income rose from $19.1 billion to $22.7 billion, and investment constituted 7.3 percent of the net income. Financial difficulties, particularly the balance of payments, were experienced during the second plan and thus investment had to be reduced.

The present third five year plan is in effect with the total investment of $24.4 billion, but the lack of developmental capital and low level of consumer income hamper more rapid economic growth. Inadequate transportation facilities, expensive and limited power supplies, lack of skilled technicians and experienced management, and above all her population growth rate make the developmental task much more complicated and hard.

Although a socialistic pattern of society is the stated goal of the government, India does not want all her economic life to be controlled by the government. She has chosen, rather a mixed economy with planned development and regulation. Railways, radio, post, and telegraph facilities, arms and ammunition factories, river development programs, insurance, airlines, are nationalized, but 80 percent of the business still remains in private hands.

The problems of India today can be summarized as follows:

1) The immensity of population growth is not controlled all her plans will be futile.

2) Extreme poverty even judged by the standard of the less developed countries of the world.
3) The attainment of economic and social development by democratic methods. This is an extremely difficult task because of low income and the strong hold of religious customs and traditions.

B. P. Lamb says with respect to the Indian problem:

Though her problems are great her achievements are great. She contains elements of strength, which are readily visible. But she also has invisible assets of immeasurable value: the enduring inner resiliency which Indian civilization has shown throughout the ages. Underlying the diversity of her different religions is a common cultural heritage. Pricked and challenged by China, Indians may come increasingly to realize that the bonds which unite Indians of all religions are more fundamental than the jealousies that divide.⁴

Meaning and Importance of Cooperatives in India

The meaning of cooperation in India is different because of the extent to which government participates in the promotion and control of cooperative societies.

The Indian economy is predominantly an agricultural one with 75 percent of her population living with $68 per capita income to spend on the wants for the whole year. As individuals, they are weak economically, with tiny fragmental lands. These people are not very susceptible to new ideas. They have little desire to improve their standard of living. The attitudes and outlook of the people, their divergence in

⁴ Lamb, op. cit., p. 48.
tradition, customs, and habits hamper a rapid development.\textsuperscript{5}

These illiterate and passive people must be enthused. The private sector does not want to invest in "social capital" because it does not bring any immediate profits in dollars and cents. Thus, in rural India where small farmers and artisans are financially weak the government has joined as a partner. On the other hand, the urban sector which is comparatively less weak, has been allowed to follow an independent policy. The main purpose of this rural and urban discrimination is to accelerate the pace of rural development by providing outside stimulant, so that the distinction between the two sectors is minimized. This approach does not tamper with the basic principles of cooperation but seeks to meet the problem which confronts the underdeveloped world.\textsuperscript{6}

Cooperation would seem to be one of the principal means of bringing a change in the present economic and social structure in India. Its basic purpose is not only to improve the material lot of the people but also it represents a source of education for the members. It emphasizes democratic living, social harmony, international understanding, and cultural, spiritual improvements. Indian society which is so poor and passive, diversified in traditions and customs needs the kind of training which cooperation can provide.

\textsuperscript{5}G. M. Laud, Cooperative Banking in India (1st ed.; Bombay: The Cooperative Book Depot, 1956), pp. ix, x.

\textsuperscript{6}\textit{Ibid.}
CHAPTER III

THE ORIGIN AND DEVELOPMENT OF COOPERATIVES IN INDIA

In the previous chapter the importance of cooperatives in India was discussed, and it was intimated that cooperatives can become an important tool for providing a balanced and practical approach to the rural problem of India. Now it is necessary to take a look at the historical highlights of the Indian cooperative movement and study the central organizations involved in promoting the growth of cooperatives. This study will help in understanding the whole cooperative structure in India.

The history and development can be discussed under three major sections: 1) Early period, 2) British period, and 3) Since independence.

Early Period

The origin of cooperatives can be traced back to the days of the Moghul Emperors who used to make state loans to limited agriculturalists. In this early period attempts were made to solve the problems of indebtedness, usury, and scarcity of capital, even though there was not any cooperative society in the modern sense.

British Period

Sir Frederick Nicholson of Madras Province is considered
to be the father of the Indian cooperative movement. Even before he was asked to look into the rural credit problem, the British made state loans to cultivators. This system was inadequate and various attempts were made between 1871 and 1884 to improve the situation. The most significant acts were "The Land Improvement Loans Act of 1883" and "Agriculturalist Loans Act of 1884," which provided loans for land improvement, purchase of seeds and cattle, and miscellaneous other agricultural purposes. Since these measures were also inadequate to meet the challenge of growing indebtedness on the part of the rural population, the Madras Government asked Sir Fredrick to look into the future of the rural credit problem and recommend steps to be taken. His monumental report which was published in 1895 was considered a Bible for Indian cooperatives.

Sir Frederick recommended a small village bank with unlimited liability, to provide rural credit to the thousands of villages who were in need of loans for agricultural production. After a careful study, the government of India accepted the recommendation, and the first Cooperative Societies Act was passed in 1904. This was the real beginning of the Indian cooperative movement. This Act emphasized not only the provision of credit but also thrift, self-help, and reliance among cultivators and others with limited income. The rural societies were based on the principles of Raiffeison, and the urban societies were to be based on Schulzedelitzsch models. This means village societies had unlimited liability
and urban societies had limited liability. A special government official called the "Registrar of Cooperative Credit Societies" was appointed in each province to organize and control the new credit societies established under the new law.

At the beginning, forty-one model societies were formed. By 1911 the number had risen to 8,177, with a share capital of Rs. 50.88 lakhs and a membership of 403,318.¹

This first cooperative law patterned after the German credit societies was not adequate to cure India's rural ills because it neglected to establish a central agency to supervise both these cooperatives and the supply of capital. Furthermore, the division of the credit societies into rural and urban was inconvenient.

In 1912 the second cooperative Act was passed to remove deficiencies in the Act of 1904. This new Act of 1912 provided: 1) The formation of banking unions and central and provincial banks for supervision, audit, and supply of credit; 2) other forms of cooperative societies (production, sales, insurance, housing, etc.) were recognized; 3) the previous rural and urban classification was omitted and the new classification was based upon whether liability was limited or unlimited.

This new law stimulated the growth of cooperative societies in India. Up to this time loans had been granted

only for production purposes, but the new policy allowed granting loans to the members to consolidate their debts. Both agricultural and industrial societies sprang up, even though the dominance of rural credit societies still prevailed. The new societies were established for the purpose of selling, production, insurance, purchasing, etc. There were 15,000 societies, and 700,000 members with working capital of Rs. 7.5 crores. ²

A committee under the direction of Sir Edward Maclagan was appointed in 1915 to review the progress of the cooperative movement. It found that people looked at the cooperative as another government agency and took it for granted that the government was a guarantor of the movement even though the purpose was to make these societies independent. It also found that, with the exception of the Punjab Agricultural Societies, there was little success in obtaining deposits.

The committee recommended the elimination of those societies which did not live up to the principles of cooperation and make repayments on time. Under new reforms (1919) cooperation became a matter for the provincial government. Under the provincial minister the cooperatives made rapid strides in the 1920's because of greater flexibility. Still, the financing was done by the government, and cooperatives were almost forced upon villages without the support of local people. This rise in cooperatives was not accompanied by

improvement in the quality of the cooperatives. According to a Royal Commission in 1928, societies were registered freely, but members were lacking in understanding of cooperative principles. It was not recognized that efficiency depended upon the zeal and skill of the officials and members of the societies.

Again the great economic depression of the 1930's was a serious setback to cooperative development in India. According to the 1931 census, 106,000 societies existed, with 4.3 million members and Rs. 92 crores of working capital. But the depression left productive assets frozen; repayments were slow and debts mounted. Twenty-four percent of the societies were liquidated and 28.9 were unfit to carry on operations. Only 80,118 primary societies managed to live through the crisis.

The government of India, when cooperatives became a state concern under the 1919 reform, took an active interest in promoting the growth of the cooperative section. The Agricultural Credit Department was established in the Reserve Bank of India in 1935 to provide greater assistance to cooperatives. During and after the war period the cooperative movement recovered from its setback. In fact, it embraced such activities as food production, distribution, marketing, housing, land colonization, small scale industries, and rural rehabilitation.

High agricultural prices due to the war improved the financial positions of cooperative societies. At the end of June 1940, 1,17,000 societies were registered with 105 crores
of working capital and 5.1 million members.\textsuperscript{3}

\textbf{Since Independence}

When India became a free country in 1947, its government embarked on new ways and means to bring a rapid economic development. Cooperation was considered to be one of the principal means for bringing about changes in the social and economic structure. Cooperation in India was something more than a series of activities organized on cooperative lines. Its main purpose was to evolve a scheme of cooperative community organization which would touch upon all aspects of life. In a country whose economic structure has its roots in the village, cooperation was and is still considered one of the primary means for raising the level of productivity, extending improvement in technology, and expanding employment.\textsuperscript{4}

Thus, since 1947 cooperatives were given an important place in national planning. The cooperative movement made further progress during the 1950's, particularly in the field of credit where the Reserve Bank of India was asked to provide greater assistance. At the beginning of the first plan (1950-51) there were 181,000 cooperative societies with working capital of Rs. 2,800 million and memberships eighty-four times as great as in 1906.\textsuperscript{5}

\textsuperscript{3}Ibid.


Agricultural type societies were more than 70 percent of the total but there were consumer cooperatives, housing societies, and processing factories. Urban banks also increased in number. The total allocation of the second plan was Rs. 47 crores, as against Rs. 7 crores in the first plan. The third plan makes a provision of Rs. 80 crores for the development of the cooperative sector.\textsuperscript{6}

Both the central government and state government took active part in the promotion of cooperatives. The Committee of Direction appointed by the Reserve Bank of India in 1951 surveyed the rural credit structure and published its report in 1959. This study revealed that only an insignificant 3 percent of the money borrowed was furnished by these cooperatives. It recommended a series of steps to improve cooperative efficiency. In 1956 the Agricultural Produce and Warehousing Corporation Act was passed to promote cooperative activities in general and assist in processing, marketing, and warehousing.\textsuperscript{7}

In 1958, the National Development Council recommended that cooperatives should be organized on the basis of the village community as primary unit, and responsibility for the social and economic development was placed at the local level. Nearly 38 percent of the population was served by

\textsuperscript{6} Ibid., pp. 205-206.

cooperative societies in 1959-60. By 1961 there were 3,32,488 cooperatives. Membership grew to 352 lakhs, working capital to Rs. 1312 crores. Loans advanced Rs. 380 crores. Primary agricultural credit societies grew to 212,129, primary non-agricultural credit societies to 11,995, and non-credit societies numbered 98,060.
CHAPTER IV

THE KINDS OF COOPERATIVES AND THEIR OPERATIONS

Since the passing of the first Cooperative Act of 1904, Indian cooperatives have widened in variety and content. At present one can find every type from a simple village society, to a multi-purpose large scale society, and federated associations of complex nature. Since more than 80 percent of the Indian population lives in agricultural villages, it is logical for agricultural cooperative societies to occupy a major segment of the cooperative sector. For the sake of discussion, cooperative societies will be divided into two main categories: 1) Credit societies, and 2) non-credit societies.

Credit has been always a serious problem to millions of Indians, especially to rural populations. Since the passing of the Cooperative Act of 1904, many attempts have been made by the government of India and all the state governments to provide credit through cooperative and other means. Most of the cooperative credit is channeled directly and indirectly, through primary, central, and state cooperative societies.

Let us examine first the primary credit societies which come under four headings: 1) Agricultural, 2) non-agricultural, 3) grain banks, and 4) primary land mortgage banks.
Primary Agricultural Credit Societies

This village society is the most important society in India's cooperative structure. When Raiffeisen started his first village bank in Germany, its operation was confined to a village. Everybody stood on the same footing and joined together to promote the common purpose of encouraging thrift and provide finance for needy people. In his monumental report of 1895 Sir Frederick Nicholson recommended village banks to promote thrift and credit, and at the present time the village bank is still considered to be an important instrument in planning agricultural development and village prosperity.

A primary society, like all other cooperative societies, is registered under the law relating to cooperative societies as it prevails in the state where the society is established. Its organization and functioning are governed by the state cooperative laws. Its constitution, aims, functions, procedures, method of working, source of funds, manner of utilizing earnings, and deposits, etc., are all laid down in the society's by-laws. The by-laws are framed at the time of its registration and approved by the Registrar of Cooperative Societies. The changes in by-laws have to be passed by the general body and again approved by the Registrar of Cooperative Societies.

As a cooperative society, a primary credit society has to satisfy certain cooperative principles. It should conform to the community interest motto of mutaul service, democratic management, and one man one vote and should promote thrift and
savings. Constitutionally, a primary society has a general body, consisting of its members, a managing committee elected by the general body, and the paid or honorary secretary. Although final authority rests with the general body, the day-to-day operations are carried on by the managing committee and the secretary.

A primary society is usually formed by 10 to 100 persons and its operations are limited to a village. The liability of members is usually unlimited, thus inspiring confidence in the minds of outsiders. Mutual control and supervision are easier because of the closer association among its members. The working capital is comprised of entrance fees, deposits, and share capital, if any. The loans and deposits are obtainable from the governments and other federal cooperative associations.

A recent analysis of the ratio of deposits to working capital was less than 6 percent in 11 states. This shows utter dependence on outside finance, especially from the government. Loans are usually short-term given on security of property. A limited number of societies furnish medium-term credit, and some supply seeds and insecticides. The loans are usually for productive purposes but moderate amounts are granted for personal expenses like marriages and old debts. The rate of interest varies from 11 percent to 12 percent, and in some places 21 percent. A society without share capital has to credit all of its profits to its reserve funds and others with share capital credit 15 percent of their profit
to the reserve fund.¹

At the end of 1960-61 primary agricultural credit societies numbered 212,129, with a working capital of more than Rs. 273 crores and membership of 170 lakhs. Other pertinent data for 1960-61 is as follows: Average number of members, 80; average share capital, Rs. 2,722; average deposits, Rs. 688; average working capital, Rs. 12,913; average loans advanced per member Rs. 119; average loans advanced per society, Rs. 10,000; and average overdues as a percent of loans, 20.3 percent.²

Another development was the formation of large scale primary credit societies which draw membership from a wider area. The purpose was to eliminate weak and inefficient societies. But in 1959 the government of India went back to single village societies on the grounds that local interest disappears with the large scale societies. The primary objective of such a large scale society is to mobilize and pool rural saving for productive purposes. These types of societies still exist in India even though the number of such societies decreased to 7,943 by 1961. But membership and operations showed an increase in the same period. The total membership increased to 33.20 lakhs with working capital of


Rs. 83.01 crores. Also there is a trend towards the multi-purpose society.\(^3\)

Both primary and large scale agricultural credit societies comprise about 80 percent of all cooperative societies. This indicates that short-term and medium-term loans are wanted by agriculturalists.

**Non-Agricultural Credit Societies**

Non-agricultural credit cooperatives are generally formed in urban areas with large membership, limited liability, and high dividends. The most common of these are urban credit cooperatives, such as cooperative banks, housing societies, consumer stores, employees societies, and life insurance societies. Their primary purpose is to provide thrift and to grant loans to members at reasonable interest rates.

More than 12,300 credit cooperatives in the non-agricultural section are in operation covering about a third of the urban population. These societies have recorded a steady progress since 1957. They have a membership of 50 lakhs with working capital of Rs. 1648 crores and loans advanced Rs. 161.6 crores. The total deposits in the non-agricultural sector rose from Rs. 35 crores in 1950-51 to Rs. 103 crores in 1961-62. Deposits during the same period formed 62 percent of the working capital as compared to 6 percent of the agricultural

\(^3\)Ibid., iii, 15.
credit societies. This shows the strength and independence of the non-agricultural credit societies. The cooperative movement in the urban sector shows much strength because of stable incomes, and people are more educated and responsive to the principles of cooperation.

**Primary Grain Banks**

This is another type of primary credit society which is organized to provide loans to members until next harvest, to accept deposits of grains, and arrange for its storage. Most of the grain banks were operating only in four states—Maharastra, Adhra Pradesh, Mysore, and Orrisa. During the year 1960-61 there were 9,412 societies with a membership of 12.49 lakhs, and a working capital of Rs. 5.35 crores. Loans advanced by them during 1960-61 amounted to Rs. 2.03 crores while those outstanding were of the order of Rs. 359 crores. The overdues at Rs. 1.79 crores constituted 50 percent of the outstanding.  

**Primary Land Mortgage Banks**

The first land mortgage bank was organized in 1920 in the state of Punjab. The main purpose of such a bank is to provide long-term loans to purchase land and help cultivators liquidate the old debts. There has not been a substantial

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5 Reserve Bank of India, *op. cit.*, pp. VI, VII.
increase in the primary land mortgage banks since 1957 because of lack of accurate assessment of the value of the land offered as security, annual repaying capacity, and uncertainty of crops. This type of society enjoys a number of concessions and privileges in the way of reduction in registration fees, staff to help check loan applications and evaluate property, etc. In 1959–60 only 33 more primary land mortgage banks were added, bringing the total to 339.6

State and Central Cooperative Credit Associations

Central cooperative banks and banking unions, central land mortgage banks, and state banks are included in this section.

Banking unions

The membership is open only to the societies. This federal society is formed to organize, supervise, and finance primary societies. These federations are managed by the member societies. They usually act as a guarantor for loans made by central banks to the member societies. Some supervise the member societies. They also act as an intermediary agent between the primary societies and central financing institutions. During the year 1960–61 138 district unions were functioning.

6Ibid., p. v.
Central cooperative banks

The membership is open to the societies and to individuals. Usually the operation is confined to a district (large U. S. county) and primary credit societies and large-scale credit societies are federated into a distinct cooperative bank. The central banks have been organized since 1912 to finance and supervise the primary credit society members. They also accept deposits, collect bills, etc. In 1960-61, there were 390 central banks and banking unions with a working capital of Rs. 304.05 crores and membership of 388 lakhs. Loans advanced by central cooperative banks rose to Rs. 354.88 crores, representing a 19.3 percent increase. Overdues in 1961 formed 12.5 percent of the outstanding loans.7

Central land mortgage banks

The purpose of the central land mortgage society is similar to that of a primary land mortgage bank—to help finance purchase of land. The number of central land mortgage banks during 1961 was 18, with share capital of Rs. 4.33 crores and working capital of Rs. 47.60 crores. The long-term loans outstanding during the same period were Rs. 36.61 crores.8

State cooperative banks

There were 21 state cooperative banks in 1961. Apex banks, finance, coordinate, and control the working of the

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7Ibid., p. 1.
8Ibid.
central banks in each state. These banks are financed both by the Reserve Bank of India and state government in each state. They act as central banking agency of the cooperative financing. In 1961 there were 21 banks with a working capital of Rs. 221.65 crores. The advances of the state cooperative banks in 1961 were Rs. 258.20 crores, short-term loans and long-term loans amounted to Rs. 246.97 crores and Rs. 11.25 crores, respectively. Overdues were Rs. 6.97 crores. ⁹

**Non-Credit Cooperative Societies**

Non-credit societies occupy an important place in the cooperative sector of the economy even though dominance of agricultural credit cooperatives prevails.

**Marketing and supply societies**

Bombay was a pioneer in organizing cooperative marketing societies, with the cotton sale societies of Gujarat and Karnataka occupying first place. During the period 1960-61 3,108 marketing societies were registered with a membership of 1,467,622. Share capital Rs. 7.49 crores and working capital of Rs. 28.21 crores, loans advanced amounted to Rs. 20.76 crores, purchases of Rs. 63.81. Their sales as owners and agent were at Rs. 41.21 crores and Rs. 4292 crores, respectively. (Besides there were 24 and 171 state and regional marketing societies.) ¹⁰ These societies market such items as

⁹Ibid.

¹⁰Ibid., IV.
dairy products, specialized food grains, cotton, various fruits, vegetables, fertilizers, etc.

**Processing societies**

These societies usually engage in processing such products as cotton, sugar, peanuts, rice, and coffee. One will find cotton ginning in Maharastra, Mysore, and Kerala; sugar refining factories in Maharastra and other states; peanut processing, paddy (rice) husking; and coffee curing in Madras and Madhya Pradesh. In 1961 there were 66 cooperative sugar factories, 128 cotton ginning and processing societies, and about 3,103 were engaged in paddy husking and oil crushing.11

**Cooperative farming**

Societies include 1) better farming societies, 2) tenant farming societies, 3) joint farming societies and collective farming societies. Each of the kind indicates its purpose. There were 6325 cooperative farming societies, of which 2080 were joint farming, 1109 collective farming, 1097 better farming, and 2094 tenant farming societies.12 Cooperative farming societies represent a very insignificant proportion of the total number of agricultural non-credit societies. The Indian farmer, in common with farmers elsewhere, has a deep attachment to his own land.

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11Ibid.

12Ibid.
Other major agricultural non-credit societies include irrigation societies and fisheries societies. Thus agricultural non-credit cooperative societies are primarily concerned with agricultural operations such as purchase of seed, manure, implements, and machinery, irrigation facilities, consolidation of holdings, cooperative farming, cooperative marketing, and supply, social service, housing insurance, land reclamation, crop protection, cattle breeding, etc. Non-credit agricultural credit societies have not developed like credit societies for several reasons. Only after 1912 did such societies start to form. Furthermore, illiteracy, industrial backwardness, and credit societies covering non-credit activities slowed their development. During and after World War II, because of high agricultural prices, these societies showed remarkable progress, but in recent years these societies have shown a decline except cooperative marketing.

Non-agricultural and non-credit societies are generally comprised of industrial societies such as weavers societies, spinning mills, consumer stores, housing societies, production and sales societies, social service societies, and labor cooperatives.

**Consumer societies**

During World War II this type of society made progress because of black-marketing and high prices. The government also encouraged this development. These societies carried the distribution of rationed articles. After 1951-52 they
received a set back because of the lifting of controls on food grains and other necessities. The number of primary and wholesale consumer societies in 1961 was 75 and 7059, respectively, with a membership of 13.67 lakhs and working capital of Rs. 11.82 crores. Purchase and sales amounted to Rs. 54.07 crores and Rs. 60.06 crores, respectively.\textsuperscript{13}

**Industrial cooperative societies**

Most important of these are weaver's societies. Others have been formed by tanners, smiths, potters, oil processors, beekeepers and wood workers. The main purpose is to encourage small scale and cottage industries. During the year 1960-61 there were approximately 33,000 societies with a membership of 16 lakhs and working capital of 50 crores.\textsuperscript{14}

**Housing societies**

Housing societies numbered about 6458 in 1961 with a membership of 3.81 lakhs and working capital of Rs. 57.83 crores. The value of the houses constructed during 1960-61 was Rs. 27.92 crores.

\textsuperscript{13} Ibid., vii

\textsuperscript{14} Ibid.
state cooperative land mortgage and the 14 primary cooperative land mortgage banks in the state is Rs. 3.84 crores, of which Rs. 1.22 is accounted for by debentures.¹

Several hundred voluntary cooperative farming societies are scattered throughout India. Though voluntary, they are not necessarily the spontaneous creations of individual cultivators and all are supported by the government with fairly generous amounts. The following is an exceptional example of this type of cooperative near Baroda.

A family of three brothers farming about 60 hectares of land farm a cooperative with their tenants and neighbors. Liability is unlimited. The membership is 29 and the land pooled is 177 hectares. The land is transferred to the society by owners and tenants for 10 years. At the end of 10 years any member with no dues outstanding can withdraw his land by paying for the improvements made by the society on his piece of land. A rent is paid to the owner not exceeding 6 percent of the value of the property. The tenant pays rent to the society, but at rates not exceeding one-sixth of the annual crop production. Members are not allowed to cultivate land not belonging to the society. Work animals and implements are valued as share capital, bearing interest at 3 percent. Milk cattle are considered as the individual property of members. The land is pooled and worked as a

single farm, divided into eight blocks for management purposes. A management committee is elected and appoints a manager and supervisor from among the members. Adult members and their families are paid Rs. 1.8 a day as against Rs. .75 a day average rate. The supervisor receives Rs. 2 a day and the manager Rs. 4. There are four permanent non-member laborers. A general plan of work is drawn up by the committee. The manager and supervisor are responsible for carrying out the plan.

The government has given substantial aid to this society. There are no overdues. On formation the society took over all existing debts of the members and discharged them out of wages due. Members are not allowed to borrow further for their personal needs except from the society.

After the payment of operating expenses, 25 percent of the surplus is placed in a reserve fund, 20 percent goes to a common good fund, 10 percent to employees bonus, and the rest is divided 40:60 in ownership and wage dividends.

Since the formation of the society the yield has increased by 25 percent, the value of produce has doubled, individual incomes of land holders have increased from 15 to 50 percent. The society provides, free of charge, medical aid to its members, education for their children, fruit and vegetables for home consumption, grass and fodder for the cattle.²

This is one of the very rare examples of a successful voluntary cooperative farming society.

Transportation is another field in which cooperation has shown good results. A taxi cooperative started in Calcutta in 1961 with 20 taxis has worked efficiently and has encouraged the taxi drivers to form similar types of transportation cooperatives. The scheme of taxi cooperatives has benefited not only the drivers, but also the residents of Calcutta. The introduction of taxi cooperatives has been a stabilizing force in the transportation system of Calcutta, and has eliminated the possibility of a taxi drivers' strike. This has eliminated middlemen and the high rate of interest on capital under the hire-purchase system. The cooperatives are operating more economically than private taxis. These taxi cooperatives plan to start a service station, and a shop for sale of spare parts and accessories.3

The Alumura Cooperative Rural Bank Ltd., Madras

This society operates in 12 villages within a radius of 5 miles of the town. In 1948 members were 3,749 and the share capital amounted to Rs. 59,771. The bank is a member of the local Cooperative Central Bank. Each member can borrow only up to the maximum of Rs. 2000 and it is based on Rs. 10 per share. No member can hold more than 200 shares. Loans are granted on the security of deposits, on mortgage of property,

on the pledge of government papers or gold ornaments, on produce and against collateral security of standing crops maturing for harvest within one month. Short-term loans are issued on the security of land and other fixed assets.4

The Gujarat State Cooperative Marketing Society

The Gujarat State Cooperative Marketing Society has a membership of 225 societies with paid-up share capital of Rs. 15.33 lakhs, of which the government share is Rs. 7 lakhs. Its reserve and other funds amount to Rs. 3.55 lakhs and borrowing Rs. 40.8 lakhs. The society has been appointed as state wholesale distributor of fertilizers. It exports pulses and imports dry fruits. It has also been appointed supervisor for the state under the cotton supervisory scheme of the union government during 1962-63. The society purchased cotton worth Rs. 2.84 crores and its sales amounted to Rs. 2.85 crores.

The Poona Central Cooperative Bank, Ltd.

The Poona Central Cooperative Bank, Ltd., has its headquarters in Poona and 20 branches in the Poona District, Maharastra State. The membership is composed of 999 societies and 5,500 individual members. The paid-up share capital is Rs. 23.5 lakh, of which Rs. 10 lakhs are government contributions

to the share capital. It has a 27 member board of directors representing the societies, the individuals, and the government. The bank provides agricultural credit and a limited amount of credit for industrial cooperatives. Sugar cane is the principal cash crop in the area and roughly 25 percent of this crop is grown by member cooperatives' sugar factories. During 1959 the bank loaned Rs. 16 lakhs to 2989 members for the production of potatoes on 3,338 acres. Short-term agricultural credit loans outstanding as of 1959 amounted to Rs. 204 lakhs, medium-term agricultural loans to Rs. 24 lakhs, and non-agricultural loans to 12.9 lakhs.  

The Kudiraichandal Multipurpose Cooperative Rural Credit Society, Madras State

This rural credit society with unlimited liability serves four small villages with a membership of 102, a share capital of Rs. 498, and a reserve fund of Rs. 2,359. It is a member of the South Arcot Cooperative Central Bank, the Cooperative Central Store Society, and of the Agricultural and Industrial Cooperative Society. This society deals in chemical fertilizers, handloom cloth, iron and steel and salt. It supplies credit for the purchase of articles for agricultural needs, for iron implements and manure, for cloth and food. The individual member can borrow up to Rs. 500. This society was

first registered in 1910 and for many years continued its activity to credit, building up in the process a small reserve. Only since World War II has it expanded its activities, covering the entire needs of a cultivator.

The Dooma Union Large-Sized Primary Cooperative Agricultural Credit Society, Ltd.

The Dooma Union Large-Sized Primary Cooperative Agricultural Credit Society, Ltd. was organized in 1957 in West Bengal to provide loans to members for productive and other useful purposes, to procure and supply agricultural and domestic requirements, and to engage in better marketing. It operates in an 11-square-mile area and has 498 members. Ninety percent of the members are agriculturalists.  

Authorized share capital is Rs. 60,000, paid-up share capital is Rs. 13,276. It advanced loans of Rs. 20,125 to its members in 1959-60. It provides irrigation services and operates a shop for supplying food grains and fertilizer.


8 Abrahamsen, op. cit., p. 32.
Table 1. The cooperative movement in India 1960-61. Figures at a glance. Amounts in lakhs of rupees

<table>
<thead>
<tr>
<th>Type of society</th>
<th>Number</th>
<th>Membership (in thousands)</th>
<th>Working capital</th>
<th>Loans advanced</th>
<th>Value of goods</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Received or produced</td>
</tr>
<tr>
<td>I. An societies</td>
<td>3,32,488</td>
<td>3,51,94</td>
<td>13,12,09</td>
<td>379,84</td>
<td>346,92</td>
</tr>
<tr>
<td>II. Credit societies</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A) Short-term</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. State coop. banks</td>
<td>21</td>
<td>50</td>
<td>221,65</td>
<td>258,20</td>
<td></td>
</tr>
<tr>
<td>2. Central coop. banks</td>
<td>390</td>
<td>3,88</td>
<td>304,05</td>
<td>354,38</td>
<td></td>
</tr>
<tr>
<td>3. Primary credit societies of</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a. agricultural</td>
<td>2,12,129</td>
<td>1,70,41</td>
<td>273,92</td>
<td>202,75</td>
<td>48,90</td>
</tr>
<tr>
<td>b. grain banks</td>
<td>9,412</td>
<td>12,49</td>
<td>5,35</td>
<td>2,03</td>
<td></td>
</tr>
<tr>
<td>c. non-agri.</td>
<td>11,995</td>
<td>45,73</td>
<td>150,11</td>
<td>130,37</td>
<td>5,05</td>
</tr>
<tr>
<td>B) Long-term</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Central land mortgage banks</td>
<td>18</td>
<td>2,74</td>
<td>47,60</td>
<td>11,62</td>
<td></td>
</tr>
<tr>
<td>2. Primary land mortgage banks</td>
<td>463</td>
<td>6,69</td>
<td>26,99</td>
<td>7,17</td>
<td></td>
</tr>
<tr>
<td>III. Non-credit societies</td>
<td>98,060</td>
<td>1,09,70</td>
<td>282,42</td>
<td>43,89</td>
<td>292,97</td>
</tr>
</tbody>
</table>

Table 2. Progress of cooperative societies

<table>
<thead>
<tr>
<th>Items</th>
<th>1957-8</th>
<th>1958-9</th>
<th>1959-60</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No.</td>
<td>Percentage to total</td>
<td>No.</td>
</tr>
<tr>
<td>Credit societies:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agricultural</td>
<td>176</td>
<td>68.9</td>
<td>193</td>
</tr>
<tr>
<td>Non-agricultural</td>
<td>10</td>
<td>3.9</td>
<td>11</td>
</tr>
<tr>
<td>Non-credit societies</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agricultural</td>
<td>32</td>
<td>12.4</td>
<td>30</td>
</tr>
<tr>
<td>Non-agricultural</td>
<td>38</td>
<td>14.8</td>
<td>50</td>
</tr>
<tr>
<td>TOTAL</td>
<td>256</td>
<td>100.0</td>
<td>284</td>
</tr>
</tbody>
</table>

*Including grain banks*

Table 3. Agricultural credit societies—all India averages
(amounts in rupees)

<table>
<thead>
<tr>
<th>Item</th>
<th>1959-60</th>
<th>1960-61</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Membership per society</td>
<td>71</td>
<td>80</td>
</tr>
<tr>
<td>2. Working capital per society</td>
<td>11,011</td>
<td>12,913</td>
</tr>
<tr>
<td>3. Share capital</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(i) per society</td>
<td>2,312</td>
<td>2,722</td>
</tr>
<tr>
<td>(ii) per member</td>
<td>32</td>
<td>34</td>
</tr>
<tr>
<td>4. Deposits</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(i) per society</td>
<td>585</td>
<td>688</td>
</tr>
<tr>
<td>(ii) per member</td>
<td>9</td>
<td>9</td>
</tr>
<tr>
<td>5. Loans advanced per member</td>
<td>117</td>
<td>119</td>
</tr>
</tbody>
</table>

Source: Reserve Bank of India, Statistical Statements Relating to the Cooperative Movement in India 1960-61 (Bombay, 1962), p. IV.
Table 4. Composition of working capital of agricultural credit societies
(amounts in lakhs of rupees)

<table>
<thead>
<tr>
<th>Item</th>
<th>1957-8</th>
<th></th>
<th>1958-9</th>
<th></th>
<th>1959-60</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount to total</td>
<td></td>
<td>Amount to total</td>
<td></td>
<td>Amount to total</td>
<td></td>
</tr>
<tr>
<td>Working capital</td>
<td>1,33,75</td>
<td>100</td>
<td>1,70,94</td>
<td>100</td>
<td>2,23,70</td>
<td>100</td>
</tr>
<tr>
<td>Owned funds</td>
<td>42,37</td>
<td>31.7</td>
<td>51,74</td>
<td>30.2</td>
<td>62,97</td>
<td>28.1</td>
</tr>
<tr>
<td>Deposits</td>
<td>8,64</td>
<td>6.5</td>
<td>9,88</td>
<td>5.8</td>
<td>11,86</td>
<td>5.3</td>
</tr>
<tr>
<td>Other borrowings</td>
<td>82,74</td>
<td>61.8</td>
<td>1,09,32</td>
<td>64.0</td>
<td>1,48,87</td>
<td>66.6</td>
</tr>
</tbody>
</table>

Table 5. Operations of non-agricultural credit societies during 1959-60 (amounts in lakhs of rupees)

<table>
<thead>
<tr>
<th>State</th>
<th>Number</th>
<th>Membership (in thousands)</th>
<th>Deposits</th>
<th>Working capital</th>
<th>Loans advanced during the year</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>Maharashtra</td>
<td>1,515</td>
<td>10,17</td>
<td>24,19</td>
<td>41.72</td>
<td>38,00</td>
</tr>
<tr>
<td>West Bengal</td>
<td>627</td>
<td>6,86</td>
<td>21,48</td>
<td>29.02</td>
<td>20,32</td>
</tr>
<tr>
<td>Madras</td>
<td>869</td>
<td>7,15</td>
<td>7,93</td>
<td>16,81</td>
<td>18,15</td>
</tr>
<tr>
<td>Gujarat</td>
<td>795</td>
<td>3,52</td>
<td>8,40</td>
<td>13,11</td>
<td>10,65</td>
</tr>
<tr>
<td>Other states</td>
<td>7,656</td>
<td>14,61</td>
<td>21,27</td>
<td>36,74</td>
<td>30,28</td>
</tr>
<tr>
<td>TOTAL</td>
<td>11,371</td>
<td>42,31</td>
<td>83,27</td>
<td>1,37,40</td>
<td>1,17,40</td>
</tr>
</tbody>
</table>

Table 6. Position of non-agricultural credit societies (amounts in lakhs of rupees)

<table>
<thead>
<tr>
<th>Item</th>
<th>1957-8</th>
<th>1958-9</th>
<th>1959-60</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number</td>
<td>10,430</td>
<td>11,084</td>
<td>11,371</td>
</tr>
<tr>
<td>Membership (in thousands)</td>
<td>36,74</td>
<td>40,22</td>
<td>42,31</td>
</tr>
<tr>
<td>Working capital</td>
<td>102,53</td>
<td>121,47</td>
<td>137,40</td>
</tr>
<tr>
<td>Owned funds</td>
<td>34,58</td>
<td>37,48</td>
<td>42,70</td>
</tr>
<tr>
<td>Deposits</td>
<td>60,73</td>
<td>75,81</td>
<td>83,27</td>
</tr>
<tr>
<td>Advances</td>
<td>87,34</td>
<td>110,18</td>
<td>117,40</td>
</tr>
<tr>
<td>Recoveries</td>
<td>76,33</td>
<td>99,32</td>
<td>100,86</td>
</tr>
<tr>
<td>Outstandings</td>
<td>79,33</td>
<td>90,48</td>
<td>106,52</td>
</tr>
<tr>
<td>Overdues</td>
<td>6,54</td>
<td>6,53</td>
<td>7,76</td>
</tr>
<tr>
<td>Value of goods received</td>
<td>2,34</td>
<td>3,63</td>
<td>7,02</td>
</tr>
<tr>
<td>Value of goods marketed</td>
<td>2,43</td>
<td>3,28</td>
<td>7,01</td>
</tr>
<tr>
<td>Profit</td>
<td>1,86</td>
<td>2,16</td>
<td>2,46</td>
</tr>
<tr>
<td>Loss</td>
<td>13</td>
<td>14</td>
<td>15</td>
</tr>
</tbody>
</table>

Table 7. Working capital of state cooperative banks (crores of rupees)

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
<th>% to working capital</th>
<th>Amount</th>
<th>% to working capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Working capital</td>
<td>174.74</td>
<td></td>
<td>221.65</td>
<td></td>
</tr>
<tr>
<td>2. Owned funds</td>
<td>19.69</td>
<td>11.3</td>
<td>24.00</td>
<td>10.8</td>
</tr>
<tr>
<td>3. Deposits</td>
<td>60.15</td>
<td>34.4</td>
<td>72.33</td>
<td>32.6</td>
</tr>
<tr>
<td>4. Borrowings from:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(i) government</td>
<td>5.88</td>
<td>3.4</td>
<td>6.00</td>
<td>2.7</td>
</tr>
<tr>
<td>(ii) reserve bank</td>
<td>85.21</td>
<td>48.8</td>
<td>113.82</td>
<td>51.4</td>
</tr>
<tr>
<td>(iii) other sources</td>
<td>3.81</td>
<td>2.1</td>
<td>5.50</td>
<td>2.5</td>
</tr>
</tbody>
</table>

Source: Reserve Bank of India, Statistical Statements Relating to the Cooperative Movement in India 1960-61 (Bombay, 1962), p. 11
Table 8. Working capital of central cooperative banks (crores of rupees)

<table>
<thead>
<tr>
<th>Item</th>
<th>As on 30-6-1960</th>
<th>As on 30-6-61</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount</td>
<td>% to working capital</td>
</tr>
<tr>
<td>1. Working capital</td>
<td>247.40</td>
<td>16.7</td>
</tr>
<tr>
<td>2. Owned funds</td>
<td>41.69</td>
<td>16.9</td>
</tr>
<tr>
<td>3. Deposits</td>
<td>95.41</td>
<td>38.6</td>
</tr>
<tr>
<td>4. Other borrowings</td>
<td>110.30</td>
<td>44.5</td>
</tr>
</tbody>
</table>

CHAPTER VI

CENTRAL ORGANIZATIONS TO COORDINATE, CONTROL, AND PROMOTE THE WORK OF COOPERATIVES

In this chapter we will study the different organizations, both government and private, which are mainly responsible for the promotion, coordination, and control of the cooperative movement. The major emphasis will be on the role of the government in the cooperative movement because of the significant and major participation by the government in the development of cooperatives. We will briefly review the non-government organizations which are active in the cooperative work.

Indian Government policy aims at building up a cooperative sector as part of the scheme of planned development, so the functions of the government take on an important character. It has been an important feature of the movement in India that the initiative for its development has mostly come from the government and the laws in the various states governing cooperative societies provide for powers of regulation and control over the cooperative movement. The state control of the movement has taken various forms. The different government and non-government agencies which deal with the affairs of the cooperative societies are briefly described in the following pages.
Government Agencies

The Department of Cooperation

The Department of Cooperation, Ministry of Community Development and Cooperation of the Government of India, is the major government agency responsible for the development of cooperatives in India. The Department of Cooperation coordinates the activities of the Reserve Bank of India, the National Cooperative Development and Warehousing Board, and the All India Cooperative Union. These activities include credit, marketing, farming, processing, credit, and training. It also supervises the cooperatives across state borders, and keeps in touch with the State Cooperative Departments in each state.¹

The Reserve Bank of India

The Reserve Bank of India has been playing a very significant part in the building up of the cooperative movement through its supervision over financial institutions, arrangements for training, and loans to states for participation in the share capital of cooperative banks. It acts as consultant to the central and state governments and other banking organizations. During the year 1962-63 the Reserve Bank of India advanced Rs. one-fourth billion short-term

loans, Rs. 106 million medium-term loans, and Rs. 312 million long-term loans to the cooperative sector and the state governments. ²

The functions of the Reserve Bank of India in relation to cooperatives are summarized as follows:

1) To provide short-term finance at low rate of interest.
2) To provide medium and long-term finance.
3) To purchase the debentures of the Central Land Mortgage Banks.
4) To advise the cooperative banks.
5) To train cooperative banking officials
6) To act as a consultant to the central and state governments.

The State Bank of India

One of the first major steps taken on the Rural Credit Survey recommendations was the establishment in July 1955 of the State Bank of India (previously the Imperial Bank). The Bank now has branches in all the states and most district headquarters. Its main purpose is to extend remittance and credit facilities to cooperatives at the local level. The State Bank of India has also been of great help to cooperatives, particularly those engaged in marketing and processing. The State Bank has provided free remittance facilities and

loans on easy terms and conditions.

The Registrar of Cooperative Societies

The Registrar of Cooperative Societies is the administrative head at the state level. Every state has one Registrar who is mainly responsible for the execution of the policies and programs within a state. He is responsible for providing financial assistance, supervision, promotion, and advice to cooperative societies in a state. His office is staffed with the assistant registrars, deputy registrars, and inspectors, who carry out the work at the local level. The success of the Indian cooperative movement largely depends upon the efficiency of the Registrar's Office.

Non-Government Organizations

All India Cooperative Union

The All India Cooperative Union is the federation of state cooperative unions, state cooperative banks, central mortgage banks, marketing and other cooperative federations. The main purpose of this most important non-government organization is to direct and coordinate the programs designed to strengthen cooperatives throughout India. It provides educational, legislative and advisory assistance to cooperatives and acts as their spokesman.

Other organizations which are active in the promotion and development of the Indian Cooperatives are Indian

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3 Abrahamsen, op. cit., p. 10.
It seems likely that in the early stages of cooperative development a considerable element of direction and guidance on the part of government is needed. State partnership is justified at this early stage. This is not in keeping with Western cooperative traditions, of course, and very properly may be criticized as being inconsistent with an independent self-reliant movement. But there seems little alternative to such a breach with the Western tradition in India in the early stages. Criticism comes when the Indian government claims that the cooperative sector is a part of the private sector or a bridge between the public and the private sector. In reality the opposite is the case; the cooperative sector is nothing but the extension of the public sector. Unlike the cooperatives of the Western world, Indian cooperatives are mainly administered and financed by the government.

As mentioned, every state government has a Department of Cooperation, headed by the Registrar of the Cooperative Societies. The Registrar, with his staff, supervises, controls, and administers the affairs of the various cooperative societies. His office exerts such an influence on the operation of cooperatives that it is hard to follow an independent policy. Mr. S. K. Dey, the Minister for Community Development and Cooperation of the Government of India, addressing the conference of the state cooperative ministers, strongly protested the actions of the government officials, stating that the actions of these officials were major obstacles to the development of cooperatives.
In a country like India, government partnership is essential in share capital, grant of loans, and subsidies for a minimum period of time. But this minimum period seems never to end, and government participation continues to increase. It would be interesting to have statistics of cooperative societies so assisted, the period of assistance, and their present condition. So far the societies so assisted have not become independent. One cannot find evidence that state aid has been withdrawn because a cooperative has been able to stand on its own legs. Furthermore, the argument with respect to help in the early stages of development can be advanced in support of any other form of economic organization.

If the mere provision of share capital, loans, and subsidies could yield the results desired, they should have been evident by now, considering the large amounts of aid given to cooperatives. For example, during the year 1962-63, the Reserve Bank of India advanced Rs. 1 1/4 billion short-term loans to state cooperative banks, Rs. 106 million medium-term loans, and Rs. 312 million long-term loans. Besides, the Reserve Bank has subscribed Rs. 32 million to the debentures of land mortgage banks. This is just part of the government assistance to cooperatives.

Since 1947 government support to cooperatives has increased many-fold. Such support cannot be justified on economic grounds. The cooperative form is just one of the forms of economic organization. One cannot agree that the
supply of credit and other facilities through the cooperative form are more efficient than through private outlets or even by government agencies. The cost of services offered by the cooperative exceeds their value to their customer members. The government will have to continue indefinitely its massive aid to uneconomic cooperative units.

It is said that cooperatives will tend to reduce the power of money lenders, but the real reason for the high rate of interest is the scarcity of capital and high risk of default. The supply of capital can be made available by different types of economic organizations, including cooperatives.

Government intervention in the affairs of cooperatives is increasing. The government appears to have forgotten its role of promoter and has become essentially the owner of the movement. One may agree that in the early stages cooperatives do need government assistance, but in the long run if cooperatives are to be efficient and independent organizations they should stand on their own feet. The government should realize that cooperation is a people's movement; initiative for cooperative development and responsibility for regulating the working of the movement should progressively devolve on cooperative institutions and their higher federal organizations. The government should help to organize and build efficient cooperative federal organizations to take over many of the government functions, such as promotion, general cooperative education, and supervision.
The government should limit its activities to the minimum statutory duties of registration, audit, arbitration and inspection. The underlying principle of government help should be to make cooperatives strong and independent so that they will grow up into self-reliant organizations. Then only the cooperative sector will become a truly independent sector of the Indian economy.
CHAPTER VII

ACHIEVEMENTS

As cooperative societies have continued to expand in India, many appraisals of cooperative endeavor have been made by various individuals, committees, commissions, and organizations. Their findings are mixed. Some have highly praised the activities of cooperatives, and the movement has been regarded by some as a failure. Both views are right in their own way. At this stage, cooperatives cannot be looked at only as economic organizations, but also as a means of bringing social change to modern India with all its social, religious, and cultural complexities. In the following pages we will try to examine the positive side, i.e., the achievements of Indian cooperative societies. Before proceeding, however, we should bear in mind that many of the achievements and weaknesses cannot be backed by statistical determinants of success. Useful statistical figures are difficult to get because of inconsistencies in the definition of cooperative societies, and because of wide differences between them in their range of services and degree of patronage.

Since cooperatives represented a response to the urgent need of credit by farmers, one tends to look at the achievements in terms of economic gains. A society can only flourish if it is sound economically, even though external factors such as culture, social customs, and traditions, religion,
politics, and education do play an equally important role in establishing a sound cooperative system. These external factors are difficult to measure and history alone can tell us its impact.

Economic Gains

Most of the cooperative development has taken place in rural areas where the main purpose has been to replace dependence on money lenders and middlemen by providing similar service in a better way. The monopoly of money lenders has been broken by making available similar credit through cooperatives at reduced interest rates. Because of the competing cooperative, money lenders have reduced their interest rates. In the year 1960-61 interest rates charged by the state, central, and primary credit societies were 3 percent to 9 percent, 4 1/2 percent to 10 percent, and 6 percent to 12 percent, respectively. On the average, rates were 9 percent. This may be compared with the 25 percent to 30 percent, in some cases 70 percent, interest charged by private money lenders.¹

While the total money borrowed from cooperatives is very insignificant (4 percent), still cooperatives have achieved their purpose by providing cheap credit. Owing to the cheapness of credit that it has made available, agriculturalists

¹Reserve Bank of India, Statistical Statements Relating to the Cooperative Movement in India (Bombay, 1962), pp. 28-31.
have saved an estimated one crore of rupees. It has restricted debts by establishing a system of control credit and has weakened the vicious system of money lending that used to prey upon the ignorance of the peasant. Furthermore, many members of the credit societies have been relieved not only of high interest rates, but also many have been freed of debt.

The cooperatives have encouraged thrift, saving, and investment among members. They have discouraged the unproductive hoarding of money.

In 1961, agricultural credit societies numbered 212,219, with a membership of 170.41 lakhs, working capital of Rs. 273.92 crores, loans advanced Rs. 202.75 crores. About one-third of the urban population is covered by non-agricultural credit cooperatives. More than 12,300 non-agricultural credit cooperatives were functioning in India in 1963, with working capital of about Rs. 164 crores composed mainly of owned funds and deposits. Loans advanced by these societies were 161.6 crores. It is significant that non-agricultural credit societies, which include the urban banks, the employee credit societies, and other types which serve a particular profession like weavers, have been able to encourage thrift among its members. Total deposits in the non-agricultural sector rose from about Rs. 35 crores in 1950-51 to about Rs. 103 crores in 1961-62. Deposits formed 62 percent of the working capital, as compared to 6 percent for the agricultural credit

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2 Ibid., p. iii.
side, showing the strength and independence of the non-agricultural credit societies.\textsuperscript{3} State governments advanced Rs. 256 crores during 1962-63 toward cooperative credit.

Economically, cooperation in India has tried to bring justice in business and to a limited extent has prevented exploitation of the weaker members of society. In addition to economic gains, the cooperative movement has made social, cultural, and education gains. The moral advantages of the movement have been stated as follows:

Litigation and extravagance, drunkenness and gambling are all at a discount in a good cooperative society and in their place will be found industry, self-reliance, straight dealing, education, thrift, self-help, and mutual help.\textsuperscript{4}

A cooperative has become a continuous source of education to the members; for example, a credit society teaches the proper use of money, and a consumer society trains the members in what to buy and the true value of goods. A marketing society gives lessons in better methods of production. Direct social services are offered by such societies as better living and village development. Sanitation and health cooperatives have indirectly helped to weaken social customs and traditions. Cooperatives teach their members responsibility towards the organization, respect for individual rights, and democratic principles. Cooperatives have started to help people in

\textsuperscript{3}Ibid., p. IV.
working together on common grounds, which is the very heart of democratic living and social progress.

Cooperatives seem to be bringing to the masses in India a degree of cultural and spiritual improvement. In a country in which the majority of people know nothing but poverty and insecurity, the contributions of cooperatives to a better life may far outweigh the cold and impersonal economic gains that largely have come to be associated with cooperatives in India.

In summary, cooperative societies have helped to improve security of tenure of land, to consolidate holdings, to promote conservation of natural resources, to facilitate land settlement, to foster the all important growth and spread of technical knowledge for better farming, to secure saving and administer credit, to reduce the charges made for production requisites and use of longer capital items for farm and small scale industrial production, to reduce charges for consumer goods and services, to improve the marketing of farm products, to minimize risk, and to lower the cost of insurance. They have promoted education, both general and vocational. They have provided effective training in democracy and self-government. They have been neither class bound nor state bound. They have maintained or increased the sense of interdependence so important for social progress.

Some Examples of Achievements

1. Sahitya Pravarthaka Cooperative Society, Ltd: The writers' cooperative society of Kerala has succeeded in
eliminating middlemen from the publishing trade. Member-authors now publish and sell their own works. This enables an author-member to earn 30 percent royalty for his books, 7.5 percent as dividend on the shares held by him, and in addition a bonus on the royalty every year. The cooperative has 400 members and a paid-up capital of Rs. 2.5 lakhs. It has its own printing press and sales machinery. About 150 books are published every year. This has influenced other publishers to offer better terms to authors.

The cooperative has helped to improve the quality of Malayalam publications. It has published Malayalam translations of Western classics and Indian literary books. The Kerala cooperative has prompted formation of similar cooperatives in other parts of India.5

2. Sugar production by cooperatives: The production of cooperative sugar factories from November 1, 1963 to February 1, 1964, recorded an increase of 31 percent over the corresponding period last year. The corresponding increase in the private sector was only 11 percent and for the industry as a whole only 15 percent.6

3. During the cooperative year ended June 1963, the value of agricultural produce marketed by cooperatives was estimated at Rs. 183 crores. The main commodities handled

5The Ministry of Community Development and Cooperation, Kurukshetra, (Delhi, 1962), 10:10.

were sugar cane, cotton, oilseeds, wheat, and certain plantation crops. About 2,200 primary marketing cooperatives covered most of the important secondary markets in the country.\textsuperscript{7}

4. Significant progress was achieved in the centrally-sponsored scheme for consumers' cooperatives. As compared to 72 wholesale stores and 848 primary stores/branches at the end of March, 1963, 143 wholesale stores and 2,341 primary stores and branches had been set up by the end of December, 1963.\textsuperscript{8}

5. The cooperatives in Punjab have made big strides since the dawn of independence. All the 35,300 cooperative societies in Punjab own funds amounting to Rs. 28.92 crores and have working capital amounting to Rs. 95.90 crores, with a total membership of 23.76 lakhs.\textsuperscript{9}

The progress achieved by cooperatives in various spheres during the first two years of the plan is noteworthy despite the set back occasioned by the national emergency. The Punjab, Maharastra, Gujarat, and Bengal—especially in urban cooperation—have shown remarkable progress in the field of cooperation.


\textsuperscript{8}Ibid.

\textsuperscript{9}"Coop in the Punjab," The Hindu Weekly Review, December 1, 1963, p. 11.
CHAPTER VIII

DRAWBACKS AND PROBLEMS

The achievements of India cooperatives, when compared to the magnitude of the problem of Indian economic development, are very small, and indeed the achievements have been very small considering the potentialities of cooperatives. Out of a total population of 440 million, only 35 million people belong to cooperative societies. This means less than 13 percent of the population are cooperative members. Mr. M. B. Nanavati and J. J. Anjaria say:

For cooperation has been understood so far in a narrow sense and has failed to deal with man as a whole in respect of all his requirements. In the West, cooperative action has proved how it can transform the whole human being, his personality, character, attitude to the community and attitude to life. Roughly outlined in this way; the rural cooperative society is seen not only as a factor in technical progress and material well-being; it is seen also to be an instrument of economic organization, of vocational training and discipline, a centre of spiritual life and general education, a cell in the new social tissue which is reestablishing or carrying on that vital, solid cohesion and systematic collective defence which family feeling, neighborliness and the tradition of mutual help kept alive in the old village communities.¹

In light of these standards, the achievements of Indian cooperatives are yet small. In the succeeding pages the

The fundamental weaknesses of the cooperative movement are found in the neglect of the basic principles of thrift and self-reliance. The cooperatives are supposed to encourage thrift, self-reliance, and provide credit at reasonable interest rates, and remove the influence of the Indian money lender who charges exhorbitant rates of interest. Instead of thrift Indian cooperatives are disproportionately dependent on external finance, particularly from the government. In the year 1959-60 the composition of working capital was 28.1 percent owned funds, deposits 5.3 percent, and borrowing 66.6 percent. In the years to follow, outstanding loans have risen and overdues increased. If we analyse the position of overdues in different states the position becomes more disquieting. Bihar had the highest percentage of 55 percent, West Bengal 43.4, Mysore 33 percent, Madras and Uttar Pradesh were lowest with 11 and 6 percent, respectively. The rate of interest charged by societies varied from 4 percent to 16, and the total credit made available through cooperatives is insignificant. The following table shows the main agencies

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of rural credit and their contribution to the total borrowing of cultivators.

Table 9. Main agencies of rural credit and their contribution to the total borrowing of cultivators

<table>
<thead>
<tr>
<th>Credit agency</th>
<th>Proportion of borrowings from each agency to the total borrowing of cultivators Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government</td>
<td>3.3</td>
</tr>
<tr>
<td>Cooperatives</td>
<td>3.1</td>
</tr>
<tr>
<td>Commercial banks</td>
<td>0.9</td>
</tr>
<tr>
<td>Relatives</td>
<td>14.2</td>
</tr>
<tr>
<td>Landlords</td>
<td>1.5</td>
</tr>
<tr>
<td>Agricultural money lenders</td>
<td>24.9</td>
</tr>
<tr>
<td>Professional money lenders</td>
<td>44.8</td>
</tr>
<tr>
<td>Traders and commission agents</td>
<td>5.5</td>
</tr>
<tr>
<td>Others</td>
<td>1.8</td>
</tr>
<tr>
<td>Total</td>
<td>100.00</td>
</tr>
</tbody>
</table>

Source: Reserve Bank of India, All India Rural Credit Survey, (Bombay, 1955), 2:5.

Table 9 shows the inadequacy of cooperative credit. The credit received by the medium and small cultivators through cooperatives is insignificant. Current figures are not available, but these 1955 figures have not changed much except that the percentage might have increased by 2.5 to 5 percent.
Another test of success of the cooperative sector is the net results of the operations of cooperative societies. Table 10 shows the net results of the operations of cooperative societies during the year 1960-61 as compared to the year 1959-60. This indicates that 75,558 societies operated at a loss of Rs. 642 lakhs. Ninety-five percent of the loss was in primary agricultural credit societies and non-credit societies. These statistical figures show that the credit operations of primary credit societies, particularly the agricultural ones, are not sound. The state cooperative banks did not have any loss because they are backed by the funds of central and state government agencies.

The figures in Table 11 show dishonesty among officials and members of the society. In the official categories we can safely include some government officials.

Other weaknesses of Indian cooperatives are the following.

1. Addressing the conference of Registrars of Cooperative Societies and representatives of state cooperative marketing societies in New Delhi on April 8, 1964, Mr. N. E. S. Raghavachan, Additional Secretary, Department of Cooperation, pointed out that cooperatives now handle less than Rs. 30 crores worth of food grains out of Rs. 800 crores of the country's marketing surplus. Furthermore, they have not been able to stabilize the food grain prices which skyrocketed recently.

4"Meeting of the Registrars of Cooperative Societies," Indian Information, May 1, 1964, p. 211.
Table 10. Net result of the operations of cooperative societies (amounts in lakhs of rupees)

<table>
<thead>
<tr>
<th>Type of society</th>
<th>1959-60</th>
<th></th>
<th>1960-61</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Profit</td>
<td>Loss</td>
<td>Profit</td>
<td>Loss</td>
</tr>
<tr>
<td></td>
<td>Number</td>
<td>Amount</td>
<td>Number</td>
<td>Amount</td>
</tr>
<tr>
<td></td>
<td>of</td>
<td></td>
<td>of</td>
<td></td>
</tr>
<tr>
<td>societies</td>
<td>societies</td>
<td></td>
<td>societies</td>
<td></td>
</tr>
<tr>
<td>1. State cooperative banks</td>
<td>22</td>
<td>1.17</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>2. Central cooperative banks</td>
<td>344</td>
<td>2.48</td>
<td>36</td>
<td>6</td>
</tr>
<tr>
<td>3. Primary agricultural credit societies</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Large sized</td>
<td>6,303</td>
<td>1.26</td>
<td>1,561</td>
<td>17</td>
</tr>
<tr>
<td>Small sized</td>
<td>130,129</td>
<td>3.26</td>
<td>40,394</td>
<td>94</td>
</tr>
<tr>
<td>Grain banks</td>
<td>5,308</td>
<td>23</td>
<td>1,430</td>
<td>7</td>
</tr>
<tr>
<td>4. Central and mortgage banks</td>
<td>13</td>
<td>38</td>
<td>-a</td>
<td>13</td>
</tr>
<tr>
<td>5. Primary land mortgage banks</td>
<td>291</td>
<td>12</td>
<td>104</td>
<td>3</td>
</tr>
<tr>
<td>6. Primary non-agricultural credit societies</td>
<td>7,633</td>
<td>2.46</td>
<td>2,128</td>
<td>15</td>
</tr>
<tr>
<td>7. Non-credit Soc.</td>
<td>36,814</td>
<td>8.77</td>
<td>25,876</td>
<td>3.79</td>
</tr>
<tr>
<td>TOTAL</td>
<td>1,86,857</td>
<td>20.13</td>
<td>71,532</td>
<td>5.21</td>
</tr>
<tr>
<td></td>
<td>2,01,390</td>
<td>24.33</td>
<td>75,558</td>
<td>6.42</td>
</tr>
</tbody>
</table>

aLess than Rs. 50,000

Source: Reserve Bank of India, Statistical Statements Relating to the Cooperative Movement in India 1960-61 (Bombay, 1962), p. IX.
Table 11. Embezzlement cases during 1960-61

<table>
<thead>
<tr>
<th>Societies</th>
<th>No</th>
<th>Loss in thousands of rupees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central credit institution</td>
<td>20</td>
<td>176</td>
</tr>
<tr>
<td>Primary credit institution</td>
<td>933</td>
<td>2053</td>
</tr>
<tr>
<td>Central non-credit societies</td>
<td>32</td>
<td>342</td>
</tr>
<tr>
<td>Primary non-credit societies</td>
<td>297</td>
<td>1455</td>
</tr>
<tr>
<td>TOTAL</td>
<td>1282</td>
<td>4026</td>
</tr>
</tbody>
</table>


2. Among industrial cooperatives sugar factories and spinning mills are comparative successes. But they are really not worker cooperatives, because they are formed by middle class and upper middle class people and not by landless laborers and cultivators. In fact, most of the members are well-to-do people who can form a private company or corporation. But the concessions made to cooperatives are attractive enough to lead some groups to assume the pose of being cooperatives.

3. An influential official of an industrial estate got an allotment of 200 wagons of coal from the government for making bricks. At the same time, in the same city a worker's cooperative engaged in the production of hand-made paper could not get even one wagon of coal and was buying more expensive
4. The government of India is concerned over the apparent failure of the cooperative farming movement due to the lack of support from farmers. Insufficient financial resources, sabotage by vested interests, both official and non-official, and the indifferent attitude of farmers are the real reasons.

5. Housing cooperatives are progressing very slowly. At present 6 societies at the state level, and 5,568 at primary level are functioning. In 1959-60, it is estimated 45,000 houses or tenements were built at a cost of Rs. 38.41 crores. These figures are insignificant when compared to the country's housing needs. Between the registration of a cooperative housing society and the completion of houses for its members by the society, there are so many stages of bureaucratic procedure to pass through. With a handful of honorable exceptions, if at all, bureaucracy in India seems to know more about how to put a spoke in the wheel than to be positively helpful. Due to inordinate delays in establishing the marketable title, in drawing the loan, and in getting quotas of cement and steel, the initial cost estimates invariably go way up.

6. A Philippine scholar who studied the cooperative marketing structure in India reported that in Mahastarstra

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some of the primary societies disposed of their members' produce to private retailers rather than to district societies. The reason given was that district societies did not offer good prices. Whether this is typical or not, it indicates a lack of integrated cooperation network.  

7. A public survey of public opinion conducted by Dr. S. Elderveld of the University of Michigan in Delhi State regarding the community development movement indicated an utter lack of communication between planners and a majority of the Indian rural and urban public. The same survey indicated that two-thirds of the rural samples felt that the program was worthwhile. But half were ignorant of its goals and not more than one-third knew of its accomplishments. Another significant finding was that 60 percent of the urban sample felt that 50 percent of the government servants were corrupt.  

8. Efforts at checking the growth of spurious cooperative societies have failed to yield satisfactory results. According to reports reaching the central government, the number of such societies has continued to increase much to the chagrin of the authorities. It has been noted that vested interests get themselves entrenched in cooperatives, undermining the very movement.

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The Union Ministry of Community Development and Cooperation has urged state governments to give serious thought to the problem of weeding out non-genuine societies and removing vested interests. On its part, the Ministry is considering a proposal to set up a special committee of officials and non-officials to undertake a comprehensive study of these problems and recommend measures for developing the movement on sound lines.

In regard to non-genuine societies, it has come to the notice of the central government that in some states cinema cooperatives involving investment of lakhs of rupees have been organized by a few resourceful people. It is felt that such a society can hardly be different from a joint stock company. Similarly it is noted that a large number of transport societies have been organized with big financiers having major control of them. Some industrial cooperatives are reported to have been organized by members of the same family who get the work done by hired laborers.

Official sources feel that to some extent the grant of financial assistance by government tax concessions and preferential treatment meted to cooperatives lead to this practice. The existing provisions in the State Acts permit registration of cooperative societies which are intended to promote the economic interests of their members in accordance with cooperative principles. But the difficulty is found to lie in defining "cooperative principles" from the point of view of weeding out or preventing registration of non-genuine
societies. The Union Ministry of Community Development and Cooperation feels that state governments should lay down norms or criteria to decide the genuineness of different types of cooperatives before their registration.

In order to prevent the growth of vested interests in cooperatives a suggestion has been made by the Centre seeking to limit the number of institutions in which a person can hold key posts at the same time and to restrict the period for which a person can continue in office in a cooperative. In this context, the provisions in the Madras Act have been recommended to other states for consideration.\footnote{Ibid., Spurious Coops., p. 4.}

9. The unions depend 100 percent on government assistance for training and educational programs. Unions are not prepared to pay even partial expenses of training. Mr. Dey, the Union Minister of Community Development and Cooperation, said the prices of food grains were skyrocketing not because stocks were not available but because there was hoarding. The cooperatives and Panchayat Raj were unable to meet this challenge.\footnote{"News," The Hindu Weekly Review, August 24, 1964, p. 13.}

10. Sometimes influential directors, presidents, and secretaries of a society have such an influence on the government official of a cooperative department that such an official has to refuse the registration of a new society.
The preceding examples lead us to believe that cooperatives have not been able to foster the spirit of thrift, self-reliance, and many other virtues of cooperative societies. When we try to analyze the facts and figures, the basic weaknesses are found in the management, structure, and operations of cooperatives; too much government interference and its paternalistic attitude; vested interest groups within the cooperative who try to use the cooperative for their own benefit and interference of political leaders of the ruling party and contractors; and lack of understanding of cooperative principles on the part of members and officials. Equally important are external factors such as illiteracy, low economic progress, social and religious customs and traditions.

**Management, Structure, and Operations**

One of the major obstacles to the progress of cooperatives has been the lack of trained personnel, especially at the local level. A small society cannot afford to maintain a trained professional manager. In many cases the work is carried on by an honorary secretary who happens to be the village teacher, or an accountant who devotes minimum time to the society's operations. Many times the only literate person is the landlord and he can mismanage a society for his personal benefit.

This raises the question of cooperative training. Even though the central and state governments have a comprehensive
scheme of cooperative training at different levels through advanced study institutes, training colleges, and training centers the present provision is not comprehensive enough to train all those who are concerned with cooperative operations at local levels. The emphasis is on training government officials who control these cooperatives. Emphasis on training local officers and members is lacking. The content of the course needs to be revised, especially in regard to techniques to be used at local level. The total need of trained personnel far exceeds the total supply which has resulted in inefficient cooperative operations. Economic success depends upon the able management and enlightened membership of a cooperative society.

Another weakness is the lack of cohesion and uniformity among members, and the spread of membership is either too wide or too small. The results are 1) internal disagreements, 2) general lack of interest among members in the affairs of the society, 3) bad selection of members resulting in dishonesty and incompetence of society officials, 4) excessive enthusiasm in promoting cooperation without local support and understanding (most of the members do not know the implications of unlimited liability), 5) a few members monopolizing the work of and leaving too little room for incentive of others, 6) concealment of old debts, and 7) lack of supervision.

The credit policy is rigid. Lending rules, overly high standards of credit worthiness, and shortage of working capital have resulted in making many types of loans unacceptable
and many individuals ineligible. The credit policy is based more upon the asset side than on the paying capacity of a member. The economic background of the Indian village or of the urban dweller is not taken into consideration. Even where credit societies are successful, only 30 to 40 percent of rural families are qualified to receive loans. Societies have also tended to neglect taking into consideration a pattern of short, medium, and long requirements of credit and proper disbursement of loans. This faulty credit policy and its execution by incompetent and dishonest officials and members have led to 1) indiscreet loans, 2) continuancy of borrowing, 3) excessive overdues, 4) delay in granting loans, 5) abuse of power in collection and distribution of funds, and 6) favoritism in granting loans.

This credit policy is not properly linked with production, distribution, and marketing, so that many societies turn out to be uneconomic business units with insufficient volume of business to keep them alive. The lack of capital is another important weakness. This can be attributed to the poor per capita income of $68. Many societies with inadequate funds, inefficient management, and passive membership cannot carry on their operations. All they can do is to go bankrupt or offer a poor quality of service. Central and state cooperative banks engage more in commercial banking activities and neglect their cooperative function.

It is clear that many of the achievements of cooperatives are due to the efforts of the government, with consequent disregard for the basic principle of self-reliance. No doubt
in a country like India, with millions of persons living in utter poverty, the government cannot sit aside. The problem comes with the tendency to operate the cooperative movement with many of its corrupt and incompetent officials. This paternalistic attitude leaves little to private initiative and people start believing that the cooperative sector is another department of government. For example, in the State of Madras the Cooperative Registrar's Office is staffed with 6 assistant registrars, 600 deputy registrars and 2,100 cooperative inspectors. This is just one of the many examples. The central government and all other state government have some type of bureaucracy with all its departments, officials, commissions, and committees and the numerous set of laws which can hardly be understood by a literate person. A recent study indicated that many of the officials have little to do. This has led to lack of proper supervision, differences with local members, and slowing down the progress of cooperatives. The government advertises that the cooperative sector is a bridge between the private sector, and professes to aim at making the cooperative self-sufficient. But how many cooperatives have become independent, with the government withdrawing such help? No evidence is available of this—instead, one can see a growing dependence on government. The Indian cooperatives are financed, administered, supervised, and controlled by government. They cannot be called an independent sector but an extension of a government department and are looked upon by many as a cheap lending agency.
The social, educational, cultural, and religious structure of Indian society hinders the growth of cooperative societies. The diversity in religion, culture, and traditions renders it difficult to bring such diversified groups together in a short period of time. Millions of the population are illiterate and do not understand the value of cooperation. In a static society, combined with a very low per capita income, one cannot expect to spread the gospel of cooperation without failures. Communal feelings are still strong. For example, if the board of directors are Brahamins, all members of the staff are Brahamins.

Other factors responsible for weakening the cooperative movement include the following:

1. Opposition from private money lenders and middlemen.
2. Sudden fluctuations in agricultural prices.
3) Poor transportation and communication.
4) Natural causes.
5) Technological changes.

To sum up, the failures of Indian cooperatives can be traced to the socio-economic structure of Indian society, lack of education in general, and education for cooperation in particular. This does not mean that improvements cannot be made. There is a real challenge for cooperative societies to take a more active part in building a new India on democratic principles.
CHAPTER IX

SUGGESTED IMPROVEMENTS

In line with the stated policy of the government of India with respect to cooperative societies, cooperation is there to stay. The cooperative sector, even though heavily subsidized by the government, and with all its weakness, is still one of the major means for molding India into a true democratic country based upon a prosperous economy. So, instead of running away from the problems which have slowed the progress of the cooperative sector, let us try to find out what improvements and reforms can be made to make the cooperative sector strong, efficient, and independent.

Economic Need

Over-enthusiastic supporters of the cooperative movement have many times forced a cooperative society without local support, and without recognizing the economic need for which they are established. For example, a promoter visiting a village may think a marketing society is needed but he finds that the local people want a better farming society. It would be better if he gives up the attempt to a marketing society and helps people solve their better farming problem. Often, once the society is organized an attempt should be made to justify its existence by its performance. It should attract the cultivators, artisans, and other persons with common need
in that particular area. In short, a cooperative society should be a true people's society.

Selection of Members

This selection of members, especially in societies with unlimited liability, should be careful. The character of the individual and his reliability should be his qualifications.

Every member should be instructed in the principles of cooperation. Without the sympathetic understanding and loyal support of the members a cooperative cannot succeed. This can only be done by their whole-hearted support. The members should participate in the affairs of the society. Pride in belonging to an organization is lacking in Indian cooperatives. People look to a society as a place for getting loans at cheaper rates.

Management and Personnel

One of the weakest spots in a cooperative society is the lack of competent and honest managers. The cooperative is often an alien organization from outside the community until local leaders adopt it and make it their own. Helping the people to choose good and capable leaders is one of the most important aspects neglected in India.

All the efforts towards effective organization and operation of the cooperative will be in vain if the management is not trained and efficient. The selection of a manager
or a secretary should be based on 1) character, 2) training, 3) experience, 4) personality, 5) and his attitude towards cooperative effort. He should be the only one responsible for the day-to-day operations of a society. The selection of a managing committee should be on the basis of 1) honesty and unselfishness, 2) democratic election, 3) capable and interested persons. The managing committee should not interfere in the secretary's duties unless some policy decisions are neglected or he mismanages society affairs.

The present facilities for training at the local level are inadequate. The training facilities should be expanded so that every member has a chance to learn about cooperative effort.

Mr. M. A. Abrahamsen says with respect to personnel training and development in India:

The personnel training program under way in India has made important contributions to various levels of cooperative employment. A large and dedicated core of competent civil servants in the field of cooperative endeavor now exists. There is, however, need to expand the development of this program even further, if the large number of associations serving Indian farmers are to have the benefit of better trained personnel. Moreover, there is a growing need to put emphasis on training the directors, managers, and senior staff members of these associations. People also need to be trained in the techniques of getting the cooperative story to the individual farmers who make up the membership of primary societies. Training would be more effective, too, if greater emphasis were placed on practical aspects of problems such as limiting credit by improving production practices. In the view of the large number of Indian farmers, this is a Herculean task. The need is brought into better focus, however, when we recognize only in this way can a broader base of local leadership be developed. It is generally recognized that as soon as practicable many responsibilities now assumed by government should be turned over to
village members. It is not always realized, however, that this can be done when members are sufficiently trained to assume greater responsibility.¹

The Economic Unit

A primary society should not specialize in one activity if the volume of business is insufficient. It should undertake more activities if necessary to stay economically sound. But care should be taken to avoid too large areas of operation because the sense of belonging becomes obscure. The evidence indicates that the government has again started to encourage a primary village society on the grounds that local interest is lost as contrasted to its previous policy of encouraging multipurpose societies.

The Question of Liability

Proponents of unlimited liability claim that it keeps members watchful, makes supervision and mutual control easier, and inspires confidence in the minds of outsiders. But a hard working and honest member is penalized for the mistakes of other members. An average member has limited means of living. Why should society deprive him of his livelihood? The writer feels that limited liability will encourage sincere and honest people to join cooperative

societies. The government should make some sort of insurance provision for those societies who liquidate or it should help to build up provision for such a loss.

Financial Operations and Credit Policy

Indian farmers, because of their limited income are not in a position to contribute towards shared capital; thus the government contributes large amounts of money to share capital. This results in too much dependence upon government subsidy; the real spirit of cooperation is lost. No one should be prevented from joining a society if he has a desire to become a worthy member. This can be done by lowering the initial capital share and allowing subsequent payments towards share capital. In the meantime, central banking associations can provide financing required by the society for its operations. As far as possible every effort should be made to increase the financial responsibility of members to their cooperatives and to inspire confidence in the future of a cooperative society. This will need coordinated and concentrated efforts by leaders of cooperatives.

The credit policy should be based upon the repayment ability of the borrower, and not only on the security of land or other collateral. A small farmer, a landless tenant, and a low income laborer should be able to get a loan for a productive or worthwhile purpose. At present the government is considering a proposal to make outright grants to provide bad debt reserves, thus inducing cooperatives to advance
loans to marginal farmers and landless tenants.

Cooperatives should tap local savings to a much greater extent than at present. This will enable them to become independent and serve members at reduced costs. A small saving weekly or monthly should be made compulsory even if it is a smallest coin. This will encourage thrift among members.

A society should build up large reserves by adequate charge for its service. The cooperative should operate on the income from its service charges. They must be adequate to cover expenses.

Loans should be given for productive purposes but the policy of granting loans should be flexible to meet the need of borrowers. Credit should be closely linked with production, marketing, and other similar activities. The distribution of credit should be in a constructive way. It should benefit both parties. A society should, therefore, effectively supervise the use of credit and bear in mind the borrowers' legitimate needs and interests.

The date should be fixed for repayment and it should be suitable to the borrower. Overdues must be scaled down by arranging their payments in installments and in the meantime fresh finance should be supplied for cultivation and other necessary expenses.

**Marketing Problems**

The marketing problems in India are very complex. Even
though present cooperative marketing societies are doing a good job, more marketing societies should be formed and linked properly with credit, production, and processing functions. For example, surplus agricultural produce should be collected at assured prices. This would insure larger supplies of food grains for meeting the needs of the urban sector and provide larger credit facilities for the rural area. In some parts of the state of Maharashtra primary agricultural societies sold their supplies to private traders because they could not get higher prices from central cooperative organizations.

Mr. M. A. Abrahamsen sees the need for revision of the facilities and operations of cooperatives. He says,

For cooperatives to develop an effective program of processing, marketing, and distribution, greater attention will need to be given to developing necessary supporting facilities and services and training employees to operate them. These facilities and services include storage, refrigeration, market information, establishment and use of grades and standards, packaging, transportation arrangements and economical distribution channels. Likewise credit and supply cooperatives need to give increased effort to coordinate their efforts with improved cultural and farm management practices.\(^2\)

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**Operating Standards**

Another vital problem is the lack of proper operating standards. Very little has been done in developing different kinds of ratios which measure operating cost and evaluate

\(^2\)Ibid., p. 38.
business performance. This inadequacy appears to be right from the primary society to the state and national level. Such measurements of performance are highly desirable. This operating standard should be developed by the research institutes.

The number of central cooperative associations has been reduced to 390 (1960-61) from 400 (1959-60), and it is hoped that the reduced number will result in better operation. However, this overlooks the problems of weaker primary societies and poor transportation and communication. It would be better to form a small union of primary societies so that the functions of finance, supervision, and education can be entrusted to these unions, rather than the present arrangement of many agencies involved in such activities.

Central and state cooperative organizations should be involved more in their main activity of helping cooperatives rather than engaging more in commercial activities. There is no objection to taking on such commercial activities provided they serve the primary purpose for which they were organized. Admittance of private individuals who are usually well-to-do should be discontinued, and only primary societies should be the members. This will weed out vested interest groups who want to control and use cooperatives for their own benefit.

Adequate accounting and auditing is another function grossly neglected by all levels of cooperative societies.

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3Ibid.
The society should keep records of all transactions in accordance with the by-laws and sound cooperative practices. It should also maintain complete stock and equity records. Reports should be available to directors and members. Since the majority of the members are usually illiterate (particularly in villages), a society accountant or manager can easily juggle accounts. The problem becomes more complex when these books and records are audited by a so-called disinterested government auditor. It is not infrequent that the government auditor joins in juggling accounts. It will take drastic and rigorous efforts to make these government officials work with some sense of public duty and honesty.

Coordination

The multitude of government agencies and non-government agencies are involved in the business of cooperation. There is so much confusion in the division of duties and responsibilities that it has led to lengthy bureaucratic procedures, red tape, and inefficiency. Further coordination is needed to bring together government officials and cooperative leaders, particularly as applied to the programs of the central and the state government. The need for bringing local coordination between government workers and local people is very urgent and the development of a flexible approach is needed.

If experience in America is any guide, it has demonstrated that no one pattern is the answer when it comes to achieving the most effective cooperative structure. Such structure must reflect the ability and interest of people,
services to be provided, and the communities to be served. American experience has demonstrated, moreover, that flexibility is a great asset in improving the timeliness with which various services are provided. Such flexibility and timeliness are hard to achieve when the cooperative mold is predetermined by government regulation and direction.4

Public Relations

A cooperative should be a good neighbor in the community in which it is located. Members, directors, and employees should conduct themselves in such a manner as to command the respect of all persons in the community and become part of them. The massive campaign of informing people about cooperative advantages should be undertaken by local, central, state, cooperative agencies, and the central and state governments. The program must be sold to the people. This is what is utterly lacking in India. The central organizations should encourage local, regional, national conventions annually or semi-annually. This will bring members of cooperatives together to discuss their mutual problems and needs. A cooperative can only be successful if it becomes a people's movement.

Another important weakness of the cooperative sector in India is the vicious self-indulgence of many government officials, ruling party members, and other vested interest groups. The cooperative has been used for the benefit of these vested interests. If the present trend continues the

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4Ibid., p. 41.
cooperative effort will be an utter failure. Again, a quotation from Abrahamsen:

Political and religious neutrality is sometimes violated to such an extent as to produce injurious functionalism. A cooperative should endeavor to be as impartial as any private profit business corporation. Cooperatives should not be used as a "front" for a local clique, organization, or political group.5

The government and the ruling Congress Party should realize their mistakes and help to make cooperatives work in their true spirit.

Cooperative laws and rules should be made simpler and understandable. The present procedure for registration of cooperatives, grant of loans by them, and their management needs to be improved. Laws of the central, federal, and local government, by-laws of cooperative federated associations, and primary societies are so numerous and complex that they create confusion in the mind of a literate person, not to say an illiterate person. The laws should be such as will help and not impede the development of cooperation as a popular movement.

The Government and Cooperatives

The foregoing chapters have made it clear that the origin and growth of the cooperative movement in India have been mainly due to government efforts. It is understood that in

countries like India the democratic government cannot sit aside. It must take an active part in programs of economic development. But how far should the government go in promoting, managing, and controlling cooperatives? The government has gone so far into the affairs of cooperatives that it is in the position of hindering the progress of the cooperative as an independent institution. The government has every right to protect its financial contribution to the cooperative, but at the same time it should make a constant, sincere effort to help cooperatives to stand on their own legs.

The evidence indicates it has been doing just the opposite. It would be one thing if cooperatives assisted by the government tend to become independent economic units; instead one sees growing interference of government officials and societies relying more on government help. If the government wants a cooperative to function in its true sense it should:

1. Continue present government help in share capital, bad debts, and other financial activities.
2. Withdraw all its appointed directors and representatives from the cooperatives.
3. Develop an effective audit and account system.
4. Confine its activities to general education, training in business methods and cooperation, special legislation for cooperatives, monopoly control, measures, and prices.

Ultimately the success of any measure depends upon general economic progress, social, cultural, and educational improvement. The cooperative movement in India has still a long way
to go in spite of active government support. The government is conscious of its weakness and is attempting to take corrective action.

The cooperative sector does have policies, plans, and government support but what it lacks is practical techniques to solve problems, understanding of cooperative principles and general education, competent management, enlightened membership, and sincere and honest workers. It will take determination and hard work from everyone concerned to make cooperatives an independent prosperous sector of the Indian economy.
CHAPTER X

CONCLUSIONS

That the cooperative movement in India is making steady progress is evident from the study made so far.

1. The number of cooperatives of all types has increased from 1.81 to 3.32 lakhs. The membership of primary societies has increased from 135 lakhs to 342 lakhs. The increase in the share capital was from Rs. 45.46 crores to Rs. 221.57 crores, and working capital from Rs. 275.85 crores to Rs. 1,312.09 crores.¹

2. At the end of June 1963 there were 212 lakh agricultural credit societies with a membership of 218.50 lakhs. The membership is expected to reach 29 million in the near future.²

3. The provision of state loans of Rs. 380 crores has been made for short-term and medium-credit during 1964-65, as against Rs. 256 crores during 1962-63. If the present trend continues, at the end of third five year plan cooperative credit will reach Rs. 400 crores.³

²Ibid.
³Ibid.
4. State and central cooperative organizations showed increased financial strength. The working capital of Rs. 285 crores, Rs. 400 crores, and Rs. 73 crores was noticed in state, central, and central land mortgage banks, respectively.4

5. Agricultural credit societies numbered 64 percent of the total societies. This shows the dominance of agricultural credit societies. Among non-credit societies weaver's societies, cooperative sugar factories, sugar cane supply societies, and consumer stores showed increased strength.

6. A noteworthy progress is recorded by the non-agricultural credit societies like urban banks and employee societies. More than 12,300 such societies are functioning today. The working capital of such societies was Rs. 164 crores, composed mainly of owned funds and deposits. Deposits formed 62 percent of the working capital. This shows the financial strength of non-agricultural credit societies.5

7. Cooperation has taken a multitude of forms and has shown practical benefits in a variety of circumstances. It has shown the vast potential of being one of the major institutions for technical, economic, and social progress.

8. The Indian cooperative movement was not a spontaneous process but a preconceived attempt to provide cultivators with enough credit to carry on their agricultural operations and lessen the power of money lenders who charged exorbitant

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4Ibid.

5Ibid.
9. The history of the cooperative movement in India leads one to the conclusion that if a cooperative society is to succeed, certain conditions must be fulfilled. First, the greater the social distinctions, the more difficult it is to found successful cooperatives. A sense of solidarity among the members is very vital to the success of a cooperative, especially at the beginning stage when the cooperative is financially weak and the utmost loyalty of the members is needed.

10. Cooperative societies in general have shown weaknesses in their financial structures, especially in capital investment.

11. Another vital factor is the quality of the leaders who manage the daily conduct of business. Most of the cooperatives are managed by those who have little education and have no training and experience in managing a business. This is especially true at the local level. Some training for managers and executives of the local cooperatives is of the greatest importance and increasing attention should be given to this matter. Included in this group are both government officials and cooperative leaders. This vital problem of able leaders and effective execution and supervision of plans can be summarized by quoting Prime Minister Shastri of India:

The main question before us is of the execution of our plans and policies and how to introduce the necessary vigor and efficiency required for
it. This naturally takes me to the problem of efficiency and integrity of administration. . . .

our public services have on the whole responded well to the numerous calls that have been made upon them since independence. But there is widespread feeling—which I share—that an extensive reform is essential if the task of economic development and social reconstruction are to be accomplished. Apart from this it is essential in a democracy that public service should be sensitive to the feelings and sentiments of individual citizens. They should under all circumstances function not only with formal courtesy but in the spirit of service. The administrative organization and its methods and processes must be modernized if it is to become an instrument of economic change.

12. Central organizations formed by groups of similar cooperatives play an important role. The central organization should pay more attention to the performance of valuable services for their member societies such as those of an organizational, technical, economic, legal, and administrative nature.

13. The cooperative form of organization is also subject to criticism. The great deal of time and money is spent in comparison with private business organizations. There are too many cooperatives which are too small to be called economic units.

14. Lack of proper bookkeeping and accounting has made it impossible to compare the results of different undertakings by public, private, and cooperative sectors.

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Significance of the Conclusions

The cooperative movement has occupied an important role in the various sectors of the Indian economy. The significance of the cooperative society goes beyond that of an organization solely concerned with promoting the interest of its members. Cooperatives have tried to promote members' long-term interest and have broadened their mental horizons.

In a country whose goal is democratic socialism, a cooperative form of business organization has a vital place. Cooperation has the merit of combining freedom and opportunity for the small man with the benefits of large scale management and organization, as well as good will and support from the community. Thus a rapidly growing cooperative sector with special emphasis on the needs of the peasant, the worker, and the consumer becomes a vital factor for social stability for expansion of employment opportunities and for rapid economic development.

The cooperative movement still has a long way to go in India. What little progress it has made with the help of the government demonstrates that its role is by no means insignificant.
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