

CHAPTER-4

DR. DHANANJAYRAO GADGIL'S CONTRIBUTION TO CO-OPERATION.:

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4.1 Introduction

Co operation is a natural tendency of human beings. This tendency helps to develop the human culture, so that human life become happy and prosperous. Society's creation is the end effect of co-operative process.

E.S. Bogardus said that "formation of social group is the outcome of reflexive co-operative. While the life of an ant, wasps , lions etc. provides the best example of instinctive co-operation." Co-operation has been a more evolutionary force in the development of persons than has the better competitive struggle for existence .

According to H. Calvert , "Co-operation is a form of organisation wherein person voluntary associated together as a human beings on a basis of equality for the promotion of the economic interest of themselves."

4.2 Role of Co-Operation in Indian Economy:

The world is divided in developed and underdeveloped countries. Co-operation plays a dominant role in both type of countries. Economically backward and developing countries has low per capita income and low per capita investment ratio as a result of these low capital formation may occur. Due to which shortage of capital , un employment and low industrial growth is the outcome.

To overcome these conflict "co-operation" , plays a key role wherein people voluntarily come together to form a society of co-operation begins with economical development. Role of co-operation in Indian economy can be defined with following parameters .

4.2.1 Finance / Credit to Agriculture Sector :

For the growth agriculture sector in Indian economy credit supply plays an important role. It needs for low interest rate. This is make available through Primary Agricultural Co-operative Credit Societies (PACCS) at village and district level. These societies are directly financing the loans to the farmers , labours etc. Thus by way of direct financial system , farmer can deploy it to increase crop productivity.

4.2.2 Employment Generation :

Co-operation creates direct employment because co-operative societies needs public participation at the higher level. For example textile mills, sugar factories , paper mills etc. Individual sugar factories can creates around 1500 to 1800 direct and indirect employment opportunities more than hundreds times in various sub sectors.

4.2.3 Agro Processing and Marketing System :

Co-operative sector can eventually contributes processing and trading of agro products. This gave up a better realisation to agro products . These agro processing and marketing societies have changed the face of rural sector and demolished interference of middleman , agents and merchants.

4.2.4 Elimination of Financial In Equalities :

Co-operative movement stands for removal of inequality in the society. By way of minimizing the importance of industrialists , capitalists and rich sections of the society. Co-operative movement is an ordinary people's movement which contribute with low and minimum investments so as to obtain proper reward to their works.

4.2.5 Country's Financial Growth :

Co operation pushes up India's economic development. Making savings and utilization of it for capital formation is determined by co-operative sector. Due to a low interest loans investments in agriculture is growing . Also agro based and agro related industries have grown remarkably to share economic growth.

Other Implications of co-operation are :

- Economic Safety to the ordinary people in the society.

- Changes in the individuals look out – as sentiments of individual co-operation increases etc.

4.3 Co-Operation : As An Economic System:

The co-operative movement at the end of 19'th century was graceful and was in swing. Dr.Gadgil was very conscious about these occurrences around the World. In his article "Problems of Rural Life " he exposed the problem of fragmentation of land holding , property rights and tenancy status and the problems of rural finance . The problems of rehabilitation could be achieved by organising the peasant conservation . And exploitation of resources have two sides – i.e. Organisational and technical . Dr.D.R.Gadgil had identified co-operation as an effective way to organise the common people .

Co-operative movement in India had started at very beginning of the 20'th century to free the indebted farmers from the clutches of landlords. And money lenders which was the main and limited objectives of the cooperative movement during the period. After independence the movement had been accepted as an important sector for independent India. Particularly, after submission of 'All India Rural Credit Survey Committee (AIRCSC) Report'. Co-operative economy had been accepted as an important system . Which helped to link horizontal and vertical activities of the rural life .

The Sugar Factories guided by Dr. Gadgil had started to reflect extra ordinary responses in their performances as a indicator of integrated rural development. The dairies , cotton processing rice mills , oil mills . spinning mills, sugar factories today are effectively linked to credit as per the guidelines given by Dr.Gadgil . And integrated development of agricultural processing and marketing had been made during the period . Dr.Gadgil with his great confidence and courage suggested to link marketing co-operative to credit co-operatives in agri business. With this linkage a kind of co-operative network has been woven. This network was later called as "Co-operative Commonwealth" by Dr.D.R.Gadgil himself.

4.4 State Partnership And State Intervention :

Conditions of underdevelopment , poverty and backwardness denotes current inadequacy of resources both financial and personnel . In this situation Government participation is required for widening initially the owned resources base and then to start with the development activities.

An effectiveness of the state partnership in co-operative enterprises was particularly reviewed and justified by Dr. Gadgil . The very success of processing activity was laid in the state partnership , had been suggested by AIRCSC. Dr.Gadgil reviewed implementation of the state partnership. Efficiency and the management of co-operatives had improved a lot. The scheme was qualified more advantages to the agro industries in the Maharashtra.

Dr.D.R.Gadgil was impetuous on the state control over co-operative business, which is essential for the protection of weak co-operative agencies. The co-operative marketing agencies financially remained weak as compared to private traders. Their capital adequacy may remain less hence co-operative agencies remain immortal failure . Co-operatives were infact not durable. The rural hopes will die with failure of Co-operatives. On the other hand private traders can bear it. Simultaneously , the domination of private traders by one or two may held responsible to demolish the whole co-operative structure , which according Dr.Gadgil should not happen. Therefore the co-operatives should be protected by the Government . Co-operative form of money lending business and co-operative trading business was suggested by Dr.Gadgil.

Commenting on the issues related to Government policy and co-operative planning , Dr.Gadgil strongly criticised the governments policy of decontrol. Sarayya Committee also reiterated the governments decontrol policy as not justifiable. Infact Dr.Gadgil was of the view that the entire co-operative sector should abuse this demand . the government should try to understand and differentiate the trading business made by private traders or capitalists and the co-operative institutions .

Nationalisation according to Gadgil means complete elimination of private profit in a particular sector and to introduce the social control on some economic activities . Dr.Gadgil's policy was that a process of nationalisation should include a co-operation .

He thought this was more feasible and suitable strategy to establish a social justice. If the government imposes a control on further processing activities like good procurements , stock conversion , purchase and sale etc. The co-operative sector helped to carry out all such processing activities. Dr.Gadgil felt this was an opportunity to the co-operative sector to exhibit its entity and efficiency. All such a Government activities should be shifted to the co-operative sector.

Dr.D.R.Gadgil strongly criticised the Bombay Government policy of constructing warehouses as it was uncertain , ambiguous and drizzling. He was of the view that warehouses be constructed by Government sector, if not they should at least be retained with the Government agencies.

4.5 Agro Industrial Co-Operative Commonwealth:

Dr.D.R.Gadgil was of the views that if the agriculture processing activity had been reserved to the co-operative sector , it would have helped to improve the health of the rural and the agricultural economy. The co-operative sector was qualified enough to manage both warehouses and chief trading activity of the agricultural produce which would be more rational for the attainment of welfare of the farm community.

Similarly he supported a co-operative monopoly to agro industrial commonwealth. If this could have been attained the entire cropping and agricultural pattern would have undergone a tremendous change and would have qualified for the betterment of the farm community. The dream had been brought into the practice by Late. Vasantdada Patil , Tatyasaheb Kore and Vitthalrao Vikhe-Patil etc.

Dr.Gadgil was ensured that the cropping pattern did not change the frequency and this might have helped to install the agro processing industrial enterprising activities. Dr.Gadgil had a strong feeling that such agro-industrial activities should not go in the needs of the private peoples and private traders. Infact it should be properly planned and well organised manner. This delimitates to improve the quality of work or the betterment of common people.

The First Co-Operative sugar factory in Maharashtra was established at Loni , under the able guidance of Dr.Gadgil . Workers participation in management and workers participation in shareholding were foresighted by Dr.Gadgil. This idea later on has been properly implemented by the co-operative sugar factories in Maharashtra.

4.6 Crop Loan And Co-Operative Credit:

Money Lenders business mainly deals with individual credit of the borrowers rather than the borrowers assets during 1960's. But land mortgage of land assets was the target of lending business since long. After installation of such mortgage banks the rural societies were compelled to lend only short and medium term loans. Ultimately they were not entitled to advance against the land assets. Crop loan system was an outcome of this practice. At its initial stage no. of queries were raised by the co-operative industries . Particularly loan recovery were questioned . Dr. Gadgil was doubtful that co-operative practices might help to develop again in the money lending business of landlords in rural areas. He further thought that unless co-operative marketing was linked to credit supply no crop loan system would function well. Besides in no case could the credit extended by co-operative societies to an individual member serve his needs fully. Dr.Gadgil was doubtful that co-operative credit even could not replace money lending system theoretically.

The objection to the entire loan being given in cash lies in the danger of insufficient resources being utilised in production through diversion to non production needs . So it was thought (Dr.Gadgil) to introduce a kind of loan system i.e. supply of items of production inputs which were universally required. Similarly timely supply of crop loan from reliable sources was also thought essential .

Once the proper use of loan was made , the crop yield would increase with agricultural surplus which could be disposed through co-operative marketing and loan could automatically be recovered . Repayment had to be closely linked with the disposal of the crop. But this was difficult to implement and even inconvenient to the progress of co-operatives. An essential objective of co-operative progress at that time was of replacement of the money lenders and trading system. Besides Dr.Gadgil feared the credit being supplied through the scheme otherwise of which might go only to large groups such as farmers growing only commercial crops. The adverse implications in implementing the scheme had been properly identified by Dr.Gadgil. e.g. crop loan limit and the amount , crop loan recovery , postponement of repayment etc. Dr.Gadgil tried to find out the way out from these obstructive implications.

Dr.Gadgil supported the policy to establish district co-operative banks which were expected to work as a link between state co-operative banks and primary co-operative credit societies. The required fund could get percolated from central agencies through such banks to the grass root level agencies.

Dr.Gadgil stressed the special needs of small farmers and consumption credit which should be recognized by all financing agencies. The base for such credit ; he thought that of actual or potential savings. Similarly he was also confident to say that no system can be built in rural India on expectation of voluntary saving.

Dr.Gadgil was expecting from RBI , to actively participate in promoting the development of co-operative organisation.

4.7 Challenges And It's Impact On Dr.Gadgil's Co-Operative Movement

4.7.1 Crop Loan Scheme:

In 1948, "Crop Loan Scheme" was made by Dr.D.R.Gadgil. It is an independent scheme. The plan setup was made by Dr. Gadgil. The responsibility of this scheme was imposed by Bombay State Co-operative Bank (Managing Director) on Dr.D.R.Gadgil . Gadgil has made the structure of crop loan scheme which was based on his economic thoughts and knowledge of rural economy. He declaired the draft resolution in front of Board of Directors of Bombay State Co-operative Bank. Body had approved that scheme. The basic strata of the scheme was whatever credit loan required by farmers were depend upon tangible assets bear by that farmer. Tangible assets means jewelleryes , plots , lands and houses etc. And this loan credit had to be procured by co-operative banks in respective areas.

The crop loan scheme was basically by Dr.Gadgil and later on reformed by other economists by considering the respective conditions of the societal environment from time to time. This system took place in 1944 all over India. At the starting period co-operative sector had procured only 3% of loan through this channels but now it rose upto 50%.

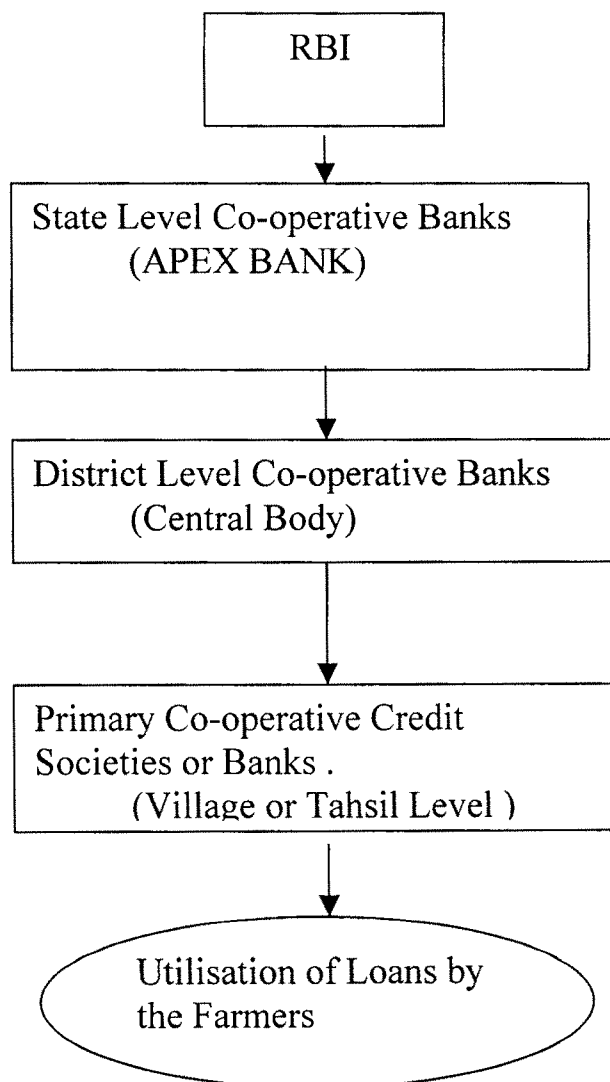
During this tenure of chairmanship of Maharashtra State Co-operative Bank, Mumbai , he had initialised various steps to start "Co-operative industries commission "

which was independent commission of M.S.C. Bank . This worked to improve industrialisation and employment opportunities in rural areas.

4.7.2 Dr.D.R.Gadgil's Three Tier Scheme Of Co-Operative Credit :

This scheme was initiated and designed by Dr.D.R.Gadgil. When he was member of Credit Survey Committee he strongly proposed for the above scheme. Normally co-operative movement means a voluntary organisation designed to safeguard the interest of share holders and by the shareholders , whose membership was open to all volunteer. In 1954 this scheme was proposed by Dr.Gadgil .

4.7.1 A Flow Diagram of this scheme was as below:



This scheme had been assigned and approved by Reserve Bank of India. And accordingly decided to adopt this three tier scheme all over India. In 1954, a Rural Credit Survey Committee had given three recommendations which shows relevance to co-operative credit system.

1)Contribution of the state government in the share capital of co-operative institution so as to strengthen them .

2)Deploy educated and skilled labours and availability of training centers to them.

3)To build up a relation between co-operative credit or agri loan credit with sale and marketing of agro commodities and also processing over agro commodities. Their rates , price decision, and marketing decisions had to be channelised through co-operative institutions .

4.8 Contribution In Co-Operation And Community Development With Regards To Fourth Five Year Plan.

Growth with stability was the key note of Fourth Five Year Plan. In that ; agricultural co-operatives and consumer co-operatives both had occupied a central position in the strategy of co-operative development. The growth of agriculture was largely depends upon substantial increase in agricultural credits, inputs and services. Hence to ensure that the services which the farmers required required were institutionalised to a greater extent by a plan. Government on its parts would endeavored to assists the co-operatives with the help of credit finance corporation and trained personnel which can be seen by the outlays deployed on co-operative development programmes.

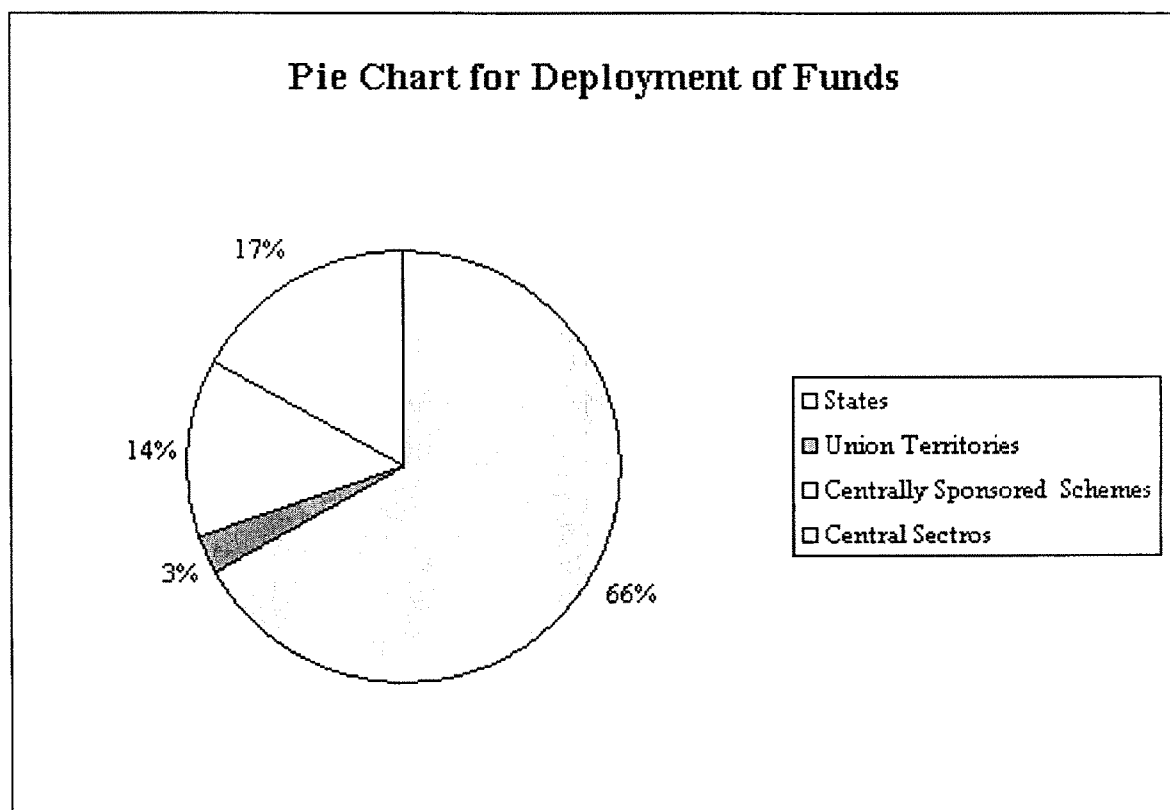
Table No.4.1 Deployment of Funds.

Sr.No.	Sector	Outlay (Rs.in crore)	In %
1.	States	119.21	66.76
2.	Union Territories	4.61	2.58
3.	Centrally Sponsored Schemes	24.50	13.72
4.	Central Sectors	30.25	16.94
	TOTAL	178.57	100%

(Sources :Fourth Five Year Plan Report –1969-74)

In addition to this a provision of Rs.90 crore was separately reserved for central sector. Plan for support to the ordinary debentures of land development banks. Further more provisions was also made for animal husbandry and dairy plans.

Graph No.4.1 Sector wise Funds Deployed



During the Fourth Five Year Plan it was also observed that volume of co-operative credits was increased . e.g. in 1960-61 , the co-operative credit (short and

medium terms) was 203 crore , which rose to Rs.429 crore in 1967-68 and also estimated to Rs.490 crore till 1968-69. At the same time the value of agricultural inputs distributed by co-operatives rose from about 60 crore in 1960-61 to about 250 crore in 1968-69.

This hike in agricultural inputs like fertilisers , hybrid seeds etc. had accounted for better output for future period. Appreciable progress took place especially in the sector of sugar factory and allied industries during the fourth plan.

Apart from this quantitative progress there was several organisational developments of significance during fourth plan. One of them was emergence of National Co-Operative Federation.

The formation of National Federation and the reorganisation of the National Co-operative Union of India , as the apex body, added a new dimension to the co-operative structures. Another important development was the reorganisation of the co-operative training programmes. This programme had two main aspects . A new stress was laid on institution in business management. In pursuance of this objective , a central institute was started at Bombay in 1964. Two impart training in business management for key personnel engaged in consumer co-operatives. This was later merged in 1967 with the name “National Co-operative College and Research Institute ; Pune” Thus leading to the establishment of “Vaikunthlal Mehta National Institute of Co-Operative Management ” Secondly , following the recommendations of the study team on co-operative training in 1961 ; a decision was taken to transfer the responsibility for the management of training centers to the co-operative union both at national and state levels. The National Co-Operative Union of India had set up a special committee , called the committee for co-operative training on which developed the task of running national institute and the co-operative training colleges. In a many no. of cases we found that the state government had transferred the charge of their co-operative training centers to state co-operative unions .

A study of informal group constituted by RBI in 1964 , revealed that the co-operative movement had been un even in its development in different regions as well as in different sectors of co-operative activity. So far as co-operative credit was concerned inadequency of development was particularly marked though in different degrees in Eastern States of Assam , West Bengal ,Bihar and Orissa and in Rajasthan too. These

eastern region with about 27% of rural population had accounted for only about 9% of co-operative credit . In view to these serious gap , the recommendation by informal group has forwarded to RBI. This was the establishment of agricultural credit co-operation as a transitional arrangement . In pursuance of this recommendation necessary legislation has been recently enacted by Parliament . In another notable development of the period had been the organisation of a network of consumer co-operatives in urban areas. During the Fourth Plan the organisation of consumer co-operatives were made by arrangements to facilitate flow of supplies directly from the manufacturers. In order to secure working capital accommodation , the central government introduced a guarantee scheme under which central or wholesale consumer co-operatives and consumer federations were eligible for financial accommodation against a margin not exceeding 10 % . As a result of this , a volume of retail trade handled by consumer co-operatives in the urban areas had vastly increased . Credit of this mainly goes to Dr.D.R.Gadgil as a visionary decision.