
CHAPTER - I : INTRODUCTION

(1) Marketing :

- 1) History and Growth of Co.Op. Movement in India.
- 2) MacLagan Committee Report
- 3) Reports of Committees and Commissioners
- 4) Agricultural Credit Department
- 5) Period of Recovery
- 6) Agricultural Finance Sub Committee
- 7) Position before Independence
- 8) Chief characteristics of Co.Op. movement before Independence.
- 9) Causes of slow growth.

(2) Identification the strength and weakness in the system of Marketing :

- 1) Structure and Organisation
- 2) Structure of Co.Op. Marketing In India.
- 3) National Agricultural co.op. Marketing Federation
- 4) State Marketing Federation
- 5) Regional or Central Marketing Federation
- 6) Primary Marketing Society, Functions of a Primary Marketing society
- 7) District Marketing Co.Op.
- 8) Primary Village Co.Operative
- 9) Distribution of Chemical Fertiliser.
- 10) Distribution of seeds.
- 11) Distribution of ~~basic~~ pesticides
- 12) Distribution of Agricultural machinery and Implements.
- 13) Problems and Weakness of Co.op. in the Distribution of fertiliser.
- 14) Cultivators.

HISTORY AND GROWTH OF CO-OPERATIVE MOVEMENT IN INDIA :

The Co-Operative movement was introduced in India with the chief object of making a breaking through in the stagnation of the poorer classes, especially the vast majority of agriculturists who were growing under the heavy weight of indebtedness Sir Daniel Hamilton had graphically put it " in the grip of Mahajans." It was the bond of debt which was largely responsible for the deteriorating stage of agriculture and the poverty of the masses. Many of the farmers were literally born in debt lived in debt and died in debt, passing on their burdens to those who followed. The advent of the British Rule in India marked some further deterioration in the economic conditions of the Farmers.

The Land Improvement Act of 1883 and The Agriculturists Loans Act of 1884 as well as other relief measures were found to be highly incommensurate in coping with the stupendous and complex problems of rural indebtedness. The consensus of opinion as a result of prolonged discussion and investigation into the chronic situation was that the Co-Operative way opened the only expedient course to ameliorate the lot of the rural masses. The officials of the Government of India, who had studied the working of Agriculture Banks of Egypt, were strongly of the view that India must go in immediately for Co-Operative

experiments on similar lines.

NICHOLSON'S REPORT :

The Credit of taking right action in this matter, however, goes to the Government of Madras. In 1882 they deputed Sir Frederick Nicholson to probe into the possibility of introducing land and agricultural banks in that province. He produced a monumental report on the subject and emphatically opined that India must find its own Raiffeisens who could organise and effectively nature a co-operative movement in the country if the conditions were to be improved. He summed up his report into two words " Rind Raiffeisen "

While Sir Fredericks' enquiries were in progress Mr Purnan of the Indian Civil Services, after a careful study of the problem began to experiment with village banks in U.P. and published an interesting and suggestive book entitled " Peoples Bank for Northern India " These two reports came to the notice to the Government of India in 1900 and as a result, a study strong committee under Sir Edmond Law was appointed to make proposals for consideration of the Government. The conclusion of which they arrived was that co-operative societies were worthy of every encouragement and of a prolonged trial. They drew up model schemes of management

for both rural and urban societies and discussed the form of legislation needed to secure the privileges which they recommended for them and to provide for their due working and supervising. Their recommendations proved the basis of the Bill which was passed into law in 1904, as the co-operative credit societies Act.

THE FIRST STATE OF THE MOVEMENT (1904-1977) :

The introduction of the co-operative credit societies Act in 1904 marked the beginning of the co-operative movement in India. This laudable measure ~~was~~ was hailed as a turning point in economic and social history by Henry W Wolff. The great co-operator and the way from ~~poor~~ poverty to plenty by Sir Daniel Hamilton. The object of this Act as stated in the preamble was to encourage thrift self help and co-operation amongst agriculture articians and persons of limited mills

The essential features of this Act were as follows :

- (1) A Society could be formed by any ten persons living in the same village or town
- (2) The Co-operative societies were classified as Rural and Urban.
- (3) The rural societies were bound to have unlimited liability, in case of urban societies. The question was left to their option.

- (4) The Act provided only for the formation of Credit Societies.
- (5) The area of operation within which societies could operate was closely restricted
- (6) The Societies could advance loans to members only on personal or real security.
- (7) The interest of a member in the share capital of the society was strictly limited. No member could hold shares for more than Rs. 2 1,000/-
- (8) The accounts of every society were to be audited by the Registrar or by a member of his staff free of charge.
- (9) Societies were exempted from payment of income tax stamp duties and registration fees.
- (10) It provided for the appointment of the Registrar of the Co-operative Societies in each province.
- (11) The societies were given a legal personality and were authorised to raise funds and carry on their business in a co-operative capacity.



Table 1 indicates the growth of the Co-operative Credit Societies in India during the period under review.

TABLE - I

PROGRESS OF CO-OPERATIVE MOVEMENT FROM 1906-07 to 1910-11.

Year	No.of societies	No.of members (in thousand)	Working capital (Rs.in lakhs)
1906-07	843	90.84	23.72
1907.08	1357	149.16	44.14
1908.09	1963	180.34	82.32
1909.10	3428	224.40	124.68
1910.11	5321	305.06	203.05

The MacLagan Committee stated that ' the movement did not take long to out grow the dreams of its founders. ' However, the Act of 1904 was found insufficient to meet the growing needs of the movement due to the following reasons. :

- (1) It did not give legal protection to societies formed for purpose other than credit.
- (2) There was no provision for the formation of a Central Agency such as the central banks or union for the financing of Primary Societies.

- (3) The classification of societies into rural and urban was arbitrary and was found unsuitable.

Second Stage (1912-1918) period of Hurried Expansion :-

The defects of the 1904 Act were remedied in 1912 when another co-operative societies Act was enacted with the passing of this Act, the movement entered on the second stage of its progress.

The essential features of this Act are the following :

- (1) Under this Act any society credit or otherwise may be registered which has as its object the promotion of economic interests of its members in accordance with the co-operative principles.
- (2) A federal society like the central bank could be registered.
- (3) Unless otherwise directed by State Government
 - (a) the liability of central society shall be limited and
 - (b) the liability of rural credit societies shall be unlimited
- (4) No member can have more than one fifth of the total share capital or hold shares exceeding Rs. one thousand in such a society.

- (5) The society has a charge upon the shares deposits etc. of a member with the society in respect of any debt due from such a member
- (6) The societies are granted exemption from compulsory registration and the State Government may grant exemption from the payment of income tax stamp duties registration fees etc.
- (7) One fourth of the net profits of a society must be carried to its reserve fund
- (8) Requirements of an annual audit are retained as are numerous other provisions of the Act.
- (9) Subject to the prior claims of the Government a society has prior claims to enforce any debt against a member. The new Act of 1912 gives a fresh impetus to the growth of the co-operative movement. The number of societies, their membership and the amount of working capital increased steadily as may be seen from the following table.

TABLE - II

Progress of Co.Operative Movement from 1911-12 to 1918-19

Year	Societies	Membership (In laks)	Working Capital (Rs. in lakhs)
1911.12	8177	4.7	335.7
1917.18	25192	10.9	760.09

By the end of 1917.18 there were 23,741 agricultural societies and 1,451 non-agricultural societies. The memberships of these societies was 8.5 laks and 2.04 lakhs respectively. The working capital of all the co-operative societies amounted to Rs. 760 lakhs.

MACLAGAN COMMITTEE REPORT :

During the period under review, the co-operative movement made rapid strides and entered into many new fields. The Government of India, however, wanted to be sure that the movement was progressing on sound lines, before taking the responsibilities of fostering further growth. In 1914, therefore, a committee under the chairmanship of Sir E.D. MacLagan I.C.S. was appointed to take stock of the situation. The MacLagan Committee produced a

classic report and made for reaching proposals for the future development of the movement. The officials should only consent to register the society after they were convinced that its prospective members understood co-operative principles. And duties and were prepared to act upon them. The Committee has laid down the following condition necessary to make a society co-operative.

- (1) The first condition for the success of a co-operative society is that every member should have a knoweldge of principles of co.operation. If this co.opertion is to be real and not a same.
- (2) In the ~~founda~~tion of a society the first essential is the careful selection as a members of honest man or at any rate of men who have given satisfactory guarantees of their intension to lead an honest life in future.
- (3) As regards the dealings of the society, it should lend to its members only.
- (4) Loans should be given for productive purpose or for necessaries which as essential of daily life can fairly be classed as productive loans must in no circumstances be for speculative purposes .

- (5) The borrowers should be required to satisfy their fellows that they are in a position to repay the loans from the income they will derive from their increased productive capacity.
- (6) When a loan has been given it is essential that the committee of the society and other members should exercise a vigilant watch that the money is expended on the purpose for which the loan was granted.
- (7) The express object of the society should be the development of thrift among its members.

The failure of the co-operative movement in many parts of the country was largely due to the neglect of the wise precautions advocated by sir Edward and his colleagues. It needs hardly to be emphasised that everyone connected with the co-operative movement should study this most valuable report afresh and should strive to secure the wider attainment of the standards therein prescribed.

THIRD
THE FIRST STAGE (1919-1928) Period of unplanned Expansion:

With the introduction of the Reforms Act of 1919 with after the conclusion of word was I, Co.Operation

become a provincial subject was placed under the charge of a Minister. This was another ~~land~~ mark in the history of this movement with this the movement entered the third stage during the early years., of the working of the reformed constitution The development Ministers ~~in~~ eniced much interest the expansion of the movement The post war born and rising prices further provided fillip to the co.operative movement. Different kinds of co.operative societies in the field of credit supply distribution better forming mortgage banking saw the light of the day during this period.

Some of the provinces where the co.operative movement had made considerable progress found that the many sided development which it had attained could not be adequately served by the 1912 Act. Bombay gave a lead in the reasonal and passed a new Act in 1925. It was followed by Madras Bhihar Orissa and Bengal which passed their own Acts during the latter years. During this period the movement continued to make a rapid progress.

The number of membership of agricultural credit socities increased three times while bneir working capital moved up four fold The proress in the noncredit sector was a even more The number of noncredit societies.

increased from 1971, in 1918-19 to 9761 in 1928.29 while the membership moved from 2.62 lakhs to 9.92 lakhs recording about a four fold increase in both the cases the working capital of this societies moved from Rs. 2.17 crores to Rs. 13.63 crores recording a six fold increase.

The over zealous staff of the newly formed co.op. department in most provinces followed a policy of rapid and indiscriminate expansion and paid little attention to qualitative aspect. Loans were doled out risklessly without regard to the principles of co.operation. The board objectives and ideals of the movement were never explained to the members and for a longtime these societies were considered to be ' Sarkari Banks ' Even the officials had a false notion that these institutions were philanthropical and charitable meant for supplying facile credit to the improved masses. It was never explained to the people that their salvation depended on their own efforts.

In united provinces the oaken committee appointed in 1925 found that the village society was mostly a same. The principles of co.operation were not understood the staff appointed to which was itself untaught in sufficient trained and unfit for the work. It was supposed to be in Madras steady increase in over dues was causing considerable anxiety. In central province a thoroughly unsound system was allowed to develop into a top heavy

organisation It was estimated that several hundred societies had been liquidated before the evil effects of past mistakes could be completely eradicated. According to the Royal Commission. on Agriculture the main cause of failure of the co-operative movement was the lack of requisite education and of adequate supervision and guidance The rapid growth of the movement during the 11 years period between 1918-19 to 1928-29 representing approximately The post war decade upto the setting in of the great depression was very rightly characteristic by the well known nonofficials co-operation Mr. Ramadas has unplanned expansion.

In spite of this ~~rapid~~ rapid expansion the proportion of the rural families brought within the co-operative fold was very small It was as low as 1.8 percent in united provinces. 2.3 percent in central provinces 2.9 percent Assam 3.1 percent in Bihar and Orissa 3.8 percent in Bengal It was only in Bombay Madras and Punjab that between 8 to 10 percent of the rural population had come under the co-operative fold.

REPORT OF COMMITTEES AND COMMISSIONS :-

During this period the working of the co-operative movement was examined by the Royal Commission on Agriculture The Central and provincial Banking Enquiry Committees and the Oakden Committee of the United provinces of Agra and Oudh the kind committee of the central provinces The

The Townsend Committee of Madras and the relevant Committee of Bund. These Committee made a valuable contribution to co-operative thought and practice. The Royal Commission on Agriculture referring to the role of Co-Operatives commended that these were 'the best hope of rural India'. In order to popularise the co-operative movement and to promote a sense of responsibility among the members of the society the central banking enquiry committee recommended that the official control that then existed was to be slackened. It is worth while to mention that foreign banking experts who submitted their memorandum to the central Banking Enquiry Committee also advocated the development of the Co-Operative movement. They observed 'The Co-Operative movement in spite of imperfection and the of unavoidable setbacks deserves every possible assistance from every quarters because there is not better instrument for ordering the level of agriculture of this country than the co-operative efforts

Fifth Stage (1929-30 to 1938-39) period of consolidation and reorganisation :

During this period the co-operative movement entered the next phase which was marked by the great depression of the thirties. The economic losses resulted in a catastrophic fall in prices particularly of agricultural

Committees which very adversely affected The ~~the~~ economic conditions of the agriculturist their c repaying capacity capacity dwindled considerably The demand for loans increased while overdues mounted up. The proportion of overdue to loans outstandings which was only 20 percent in 1927-28 crore to 40 percent in 1931.32. The accumulation of heavy overdues and the forcing of the assets of societies naturally resulted in closing their business and paralysed the working of the co-operative movement overlarge parts of the country. Even action against defaulter failed to yield any substantial result in as much as the same only saddled societies with lands which were difficult to dispose of and management of which gave rise to complicated problems In some provinces as such as the central provinces and Berar Bihar Orissa and Bengal the movement nearly collapsed. Several central co-operative banks had to be closed as they were unable to carry on banking operations and many societies were liquidated. There is a general impression that the world wide depression of 1929 was chiefly responsible for its general deterioration But according to Mr. J.P.Niyogi this was a misreading of the History of the co-operative movement According to him the seeds of decay had been sown broadcast very early in its career by a disregard of those rules

of prudent finance and efficient administration.

Apart from its general effects the depression also brought to light various defects in the Organisation and structure of the co-operative societies in India which had been partly observed during the post war period of rising prices and prosperity. The evils of over borrowing, of lending without full regard to the repaying capacity of the borrower of frozen dues discussed by fictitious repayments of disregards of real co-operative principles were some of the many defects which stalled the further progress of the movement. Enacted debt legislation in many provinces only aggregated the crisis in the co-operative movement. In several provinces committees were appointed to assess the real situation and make suggestion for the development of the movement. Mention may be made of the Vijayanagar Vacharya Committee in Madras Rehabilitation Enquiry Committee of Travencore and Mysore, Kale Committee in Gwalher Mehta and Bansilal Committee on the reorganisation of co-operative movement in Bombay and Kale Committee in the Punjab.

Agricultural Credit Department :-

The significant highlights of this period was the establishment of the Reserve Bank of India in 1935 and its Agricultural Credits Department which was charged with the duty of studying various problems relating to

Agricultural Credit in 1937, the Reserve Bank of India stressed the importance of organising multipurpose co.op. societies which could embrace the whole life of the agricultural

Period of Recovery (1939-46) :

The second World War had a marked impact on the trends in the co-operative movement in the country and with this the movement entered into the next phase The war came as a boon to the agricultural classes as it led to a boom in prices the repaying capacity of the farmers increased and they were able to clear off their old debts. The all India figures of overdues decreased from Rs.14.05 crores in 1938.39 The Rs. 8.52 crores in 1945.46 The progress of the movement is reflected by the following table

Table IV

Progress of the Co-operative movement from 1938.39 to 1945.46

Year	No.of Societies in thousand	Membership in lakhs	Working capital in crores.
1938.39	122	53.7	106.47
1939.40	137	60.8	107.10
1940.41	143	64.0	109.32
1941.42	145	67.4	112.42
1942.43	146	69.1	121.14
1943.44	156	76.9	132.21
1944.45	160	83.6	146.63
1945.46	172	91.6	164.00

It would be seen from the table that there was an appreciable increase in the number membership and working capital of these societies during the period the same increases by 41.0 percent 76.6 percent and 54.0 percent respectively

The progress of the movement could be judged from the fact that in 1945.46 there was one society for every 3.8 villages and about 10.6 percent of the population had been covered by the movement as against one society for every 5.4 villages and 6.2 percent population in 1938.39

The most important contribution of war was the shifting of emphasis from credit to non credit ~~aspects~~ aspect of the movement through credit societies continued to play a dominating role and constituted a major sector of the movement. Yet the observation of these societies was gone and the movement permitted into various directions which were the exclusive domain of the private sector. The number of non credit agricultural societies increased from 11.5 thousands in 1938.39 to 22.8 thousand in 1945.46 while the number of non credit non agricultural societies move from 8.8 thousand to 16.3 thousand during the same period the proportion of credit societies which was 83 percent in 1938.39 came down to 77 percent in 1945.46 while that of

none credit societies moved from 17 percent to 23 percent during the same period

Another significant contribution of the war was that move from brodening the function of primary societies to embrace of entire life of the cultivators which has started even before war~~ax~~ gain considerable strength during the war period The movement of organising multipurpose society which would undertake all activities affecting the daily life and business of agriclutral articiala of the movement In U.P. number of such societies increased from 2214 in 1940.41 to 6692 in 1945.46 in Bombay from 70 to 264 in C.P. and Berar from 14 to 104 and in Bengal from 33 to 218

It was however the consumer co.operative movement that got the greatest spirit during the war period on account of high prices the store movement made presented progress The industrial co.operative also assumed importance However, the housing movement received a great joint on account of high prices of building material To sum of it can be said that the war period broadened the functional range of the co.operative movement and it brought about a shift in the lop sided emphasis from the credit aspect to the productive and distributive functions or to its multipurpose potentialies a long felt need for imparting that richness and balance which is necessary for the proper development

of the movement.

Agricultural Finance Sub-Committee :-

In 1944, the Government of India appointed a sub-committee under the chairmanship of a professor D.R.Gadgil to suggest ways in which indebtedness could be reduced and finance both short term and long term provided under efficient control from agricultural and animal husbandry operation discussing the role of co.op.movement. The Committee observed ' we are in general agreement with the view that the spread to co.operation to provide the best and the most lasting solution for the problem of agricultural credit in particular and those of rural economy in general.

Position before Independence :-

At the end of June 1947, there were 1.39 lakhs societies having a membership of 1 91 lakhs. The total working capital of the co.op.institution amounted to Rs. 156 crores. Primary credit societies formed about 73 percent of the total societies. There were about 7600 marketing societies but the value of goods sold by them amounted to only Rs. 3 crores. A large portion of the business of these institutions was however in the nature of distribution of essential articles such as foodgrains, cloths and other necessities. Apart from the agricultural credit movement in two other sectors of co-operative activity

There was some progress towards the later year of the British Rule in India. One was the consumer movement which flourished under condition of war time scarcity but begun to languish as condition returned to normal after the war.

Co-operative transport societies were also organised in some parts of the country before independence but they were mostly societies of vehicle owners and not of workmen engaged in their operation from the co-operation point of view one could notice defects in their constitution. There were hardly any labour societies or housing societies before independence. In the industrial sector, weavers societies came into existence. Some of these were one man shows that man being the master of weaver.

Chief Characteristics of Co-operative movement before Independence :-

- (1) Official from sponsorship of the movement one of the most important characteristics future of the co-operative movement in India has been that it was sponsored by the state the ~~xx~~ movement came as a Government Policy rather than as an urge from the people. Sir, Horace Plunkett very rightly stated 'the wide spread and numerically supported Indian Co-op. Movement would more accurately be called a co.op. policy. It was created

by revolution of the central Government co.operation has been as planned held in position with both hands by Government Since its roots refuse to enter the soil

- (2) Largely confined to credit before independence the co-operative movement was largely a credit movement this is evident from the fact that in 1947.48 more than 73 percent of the co-operative societies were credit societies Non credit movement was largely confined to consumed co-operative
- (3) Development without much State Aid Though the Co-operative movement was officially sponsored it developed without much financial aid, The amount given in the shape of grants in aid or subsidies was very small The loans given by the states to co.op. institutions formed only 1.87 percent of the total working capital in 1947.48 a co-operative planning committee has pointed out that one of the main causes of the limited progress of the co.op. movement in Indian, has been the laissez faire policy of the state.
- (4) Uneven growth : The growth of the co-operative movement was highly uneven it was largely confined to the former Bombay State Madras and Punjab there were large parts of the country. Where there was no tress ~~ix~~ of the movement Even within the same state

the progress was not on a uniform basis

- (5) **Unplanned Expansion :** The Co.Operative movement passed through various phases before indendance but a distinctive features of the development of the movement, was its haphazaird grown there was hardly any co.ordination between various branhes there was no link between credit and marketing or between consumers and marketing societies

Causes of slow growth :

The Co.op.movement could not achive much success before independance on account of the following reasons

- (1) Lakh of knowledge of co.operative principles
- (2) Lakh of careful selection of members.
- (3) Lakh of effective supervising and inspection
- (4) Lakh of congencial atmosphere
- (5) Lakh of efficient management
- (6) Lakh of spontaneity.
- (7) Lakh of education and inadequacy of training
- (8) Lakh of co-ordination between various co.operative Institution.
- (9) High overdues.
- (10) Over emphasis on honourary service.
- (11) Laissez faire policy of the State
- (12) Movement did not take the life of the individual as a whole.



- (13) Unlimited liabilities of societies
- (14) Inhibiting factors within the movement
 - (i) aligning credit to ownership of property
 - (ii) indifference to recovery
 - (iii) inattention to purpose of loans
 - (iv) high rate of interest
 - (v) mismanagement by members of managing committee.
 - (vi) inadequacy of finance provided
- (15) Other factors
 - (i) deficit agricultural
 - (ii) Illiteracy
 - (iii) Wide spread indebtedness
 - (iv) Uneconomic holdings.
 - (v) inadequate transport and storage facilities
 - (vi) deals of regulated markets
 - (vii) great price fluctuations