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CO-OPERATION TODAY AND TOMORROW

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1. INTRODUCTION

Co-operation is a philosophy of life which can permeate every aspect of human activity. Co-operation in its simplest sense means working together. In the complex structure of modern society, co-operation has grown enormously like a tree with countless branches.

Throughout the ages, co-operation has been practised in some form or other. The battle for survival, which inimical tribes waged against one another, inevitably promoted the co-operative spirit in community life, for co-operation must always appeal to the weaker sections as a protection against the strong.

Even the lower orders of creation have a valuable lesson to offer to co-operators. The co-operative spirit is practised by ants and termites in their silent but eloquent way. They provide for a rainy day through their untiring industry and prudence. In fables, the most extreme form of co-operation is practised by animals. When the lion was killing all the animals in the forest indiscriminately, they entered into a pact with the king of the forest. They agreed to send one animal every day to be the lion's willing prey. The moral of this story is that the individual should be ready to make the supreme sacrifice in the interests of the community. This ancient fable is an indication of the outlook on life which inspired our ancestors.

The co-operative way of life is not new to India. In the villages of old, there was a harmonious blending of the welfare of the family with the interests of the

community at large. There was a great degree of adjustment and a greater awareness of the need to come together for the common good. The village community was composed of individuals, each of whom discharged his allotted task and received from the community what he needed. Thus the principle of "from each according to his capacity to each according to his need" found practical application. The joys and sorrows of each family were shared by all the other families in the village. The maintenance of irrigation works in the village was a common responsibility, and each family contributed to it in the shape of men or material. All joined hands in the various agricultural operations in the village. Village services rendered by the blacksmith, the carpenter, the washerman or the barber were paid for in kind by each family. When there was a bountiful harvest, there was jubilation in every home. In times of famine, privations were borne with fortitude, there being no scope for exploitation of the adversity of one by another.

But the political and economic exploitation which followed the advent of foreign rule in India completely sapped the vitality and initiative of the people and deprived them of self-confidence and self-reliance. Apart from economic exploitation, the many social tensions as between capital and labour, producers and consumers, landlords and tenants and between religious groups have made thinking men everywhere turn to co-operation as the only hope of redeeming mankind from exploitation of any kind.

Basically, co-operation is of two principal types : productive co-operation and distributive co-operation. But in the stresses and strains of modern civilised life, co-operation has developed in many other ways, touching every form of human activity. There are co-operatives

which provide educational and social advantages to their members and organise facilities concerned with health and housing. There are multi-purpose co-operatives which provide credit and marketing facilities, supply consumer goods and other farm requirements to agriculturists, collect milk required by co-operative dairies, maintain machinery and stud bulls, construct wells and irrigation channels, encourage cottage industries and subsidiary occupations, and promote social and welfare activities in the village. There are industrial co-operatives, housing co-operatives and construction co-operatives. Among the more recent type of societies are the 'better living' societies which seek to improve the moral condition of members, check extravagance, reform undesirable social customs, discourage litigation, improve sanitation and hygiene and provide educational assistance to the children of their members. We have now co-operative printing and publishing societies. Co-operation is finding its way among women also. Of particular interest to them are the co-operative consumers and thrift or savings society and the cottage industries societies.

2. AN INSTRUMENT OF DEMOCRACY

The universal scope of co-operation as a philosophy of life and a philosophy of action has been variously described.

With the common man claiming greater attention and with the concept of the Welfare State taking concrete shape in the evolution of human destiny, co-operation presents a powerful appeal as a peaceful means of achieving revolutionary ends.

Co-operation has been defined as a form of organisation in which persons voluntarily associate together as human beings on a basis of equality for the promotion of their economic interests.

Co-operation is a potent instrument of democracy. It is a way of life whereby people unite democratically in the spirit of mutual aid and get the largest possible access to the things and services they need. It is a form of democracy in that the constitution of a co-operative society is based on the equality of the vote of each member. The democratic outlook is also reflected in the principle governing the distribution of profit. Capital gets only a regulated moderated dividend whereas the surplus is distributed among members in proportion to their dealings with the undertaking. Co-operation encourages and teaches the citizen to do things for himself on the principle of mutual aid.

Thus the co-operative philosophy of society rests on free, universal association, democratically governed and conditioned by equity and personal liberty.

Leading co-operators hold the four main objectives of co-operation to be (1) the abolition of the system of private profit, (2) the production for use by voluntary association of producers, (3) common ownership of the means of production by the voluntary accumulation of the profits of combined enterprises and (4) the utilisation of the wealth of the community for improving the character and furthering the happiness of mankind.

The principle of democracy necessarily involves the principle of voluntarism. Individuals are free to join or not to join.

There are a number of organisations, such as labour unions, joint stock banks and partnership concerns where a number of people join together and co-operate with one another. But these are all cases of mutual assistance to attain a common end. The assistance is given because it is paid for. In a co-operative society, on the other hand, the business of the society is each member's own business.

People with large capital often combine together to earn even larger profits, and their association has no other purpose but to draw more profits from the pockets of others. This is the co-operation of the rich to become richer. Genuine co-operation, on the other hand, is the association of the weak to become stronger. Co-operation is not intended to enrich one at the expense of the other. It endeavours to enrich one in the company of the other. The individual weakness is overcome by a pooling of resources, by making self-help more effective through mutual aid, and by strengthening the bonds of moral solidarity among the co-operators. Co-operation is both a method of working and a moral force, with the inspiring motto : "each for all and all for each".

Co-operation eliminates middlemen standing between

the consumer and the producer. The consumer of yarn can eliminate the yarn dealer. Consumers of foodgrains can eliminate the trader in foodgrains. Consumers of iron and steel can get their requirements direct from the producer cutting out the stockists.

A co-operative society is quite different from a joint stock company. In a joint stock company persons with a large capital to spare pool it so as to make it yield even greater returns. The effectiveness of their voice in the management of the company is regulated by the volume of share capital each has subscribed. In a co-operative society persons with a small amount of capital to spare join together not with a view to multiplying the capital invested but to satisfy their economic needs. The emphasis is on the person and not on the capital. Hence follows the principle of 'one man, one vote'.

Dividends on shares are restricted in order to undermine the motive of profit which is the driving force in a joint stock company. The system of bonus and custom promotes the loyalty of the members and fosters a spirit of mutual service among them. Co-operative stores disburse bonuses to their members on the value of the purchase made by them. Co-operatives engaged in production give bonuses on the wages earned by the members and co-operative marketing societies give bonuses to the members on the value of produce sold by them through the society.

Co-operatives recognise that all members have an equal right to participate in their organisation and that the accruing benefits should be shared equitably. The co-operative association seeks to maintain its identity as an autonomous enterprise and does not align itself with any political party. Above all, co-operation has no barriers of caste, creed or religion.

The Government of India today is wedded to the establishment of a socialist pattern of society. To achieve this object, the co-operative movement is the best means. In the Second Five Year Plan an important role was assigned to co-operation. A special effort was made to make every family in a village a member of at least one co-operative society and so work the co-operatives with the aim of making each village family credit-worthy.

In the constructive programme of Gandhiji, co-operatives played a very important role because the aim of the movement was to raise the standard of living of the masses in rural areas and to create a better social, economic, mental and spiritual climate for the people.

The range of activities in co-operation extends beyond better farming, better business and better living. It is concerned with every activity in village life. It provides the local unit which can fulfil the dual functions of educating public opinion in favour of the Plan and executing it. It has been described as the keystone of an arch without which the technical knowledge offered by the State and the initiative of the people will not succeed in supporting a progressive rural economy.

The co-operative movement can also provide a good training ground for people to shoulder nation-building tasks.

It is important that the co-operative movement should be self-reliant and independent of official control. Any degree of reliance on administrative apparatus is bound to have a demoralising effect on co-operators. The co-operative movement should be guarded against the possibility of its developing as an extension of bureaucracy lest the purpose of the movement itself be defeated. Fortunately, the law governing co-operatives is being

simplified with the object of cutting out red tapism and of reducing official interference to the minimum.

Co-operatives tend to lessen the many social tensions which characterise modern life. Social changes can be effected without violence through co-operation. As the Prime Minister put it, co-operation is the key to the future growth of the villager. Only through co-operation can rural economy keep pace with the industrial progress of the country.

3. HISTORY OF CO-OPERATION

The beginning of the co-operative movement in India can be traced to the famous report by F. Nicholson in 1897. At that time it was considered important to provide co-operative credit in order to relieve agricultural indebtedness.

The British Government devoted itself specially to the development of agriculture in India so as to make this country the supplier of raw materials required by industries in the home country.

The Co-operative Credit Society Act of 1904, the first piece of legislation to be passed, provided only for the promotion of credit societies. Stress was laid on rural rather than urban credit. In view of the greater importance of the farmer in India, unlimited liability was the rule in rural society. There was a rapid growth in the number and activities of the society. The Act of 1904 was found inadequate to meet the needs of the expanding movement. For one thing, it did not give legal protection to societies formed for purposes other than credit. Secondly, the growth in the number of societies and the difficulties experienced in raising capital locally gave rise to the question of creating some form of central organisation to supervise local societies and provide them with sufficient capital where it was not possible to raise it locally.

To remedy the defects in the Act of 1904, the Co-operative Act II of 1912 was passed. The new Act permitted the registration of co-operative societies for

purposes other than credit, for example distribution, marketing, production, and insurance. The immediate effect of the new Act was to give a fresh impetus to the co-operative movement. New types of societies for the sale of produce, the purchase of manure and retailing of farmers' implements and common necessities were registered. Numerous village credit societies have now sprung up, which supply short-term, long-term and medium-term credit to farmers.

The co-operative credit society structure has all along been modelled on the Raiffeisen system of small village societies. Generally there is one for each village, working on the basis of unlimited liability, small shares and honorary management.

In Western countries like Britain and Germany co-operative societies were organised by the people themselves. Legislation followed only to give legal status to them and generally to protect their interests.

In India, legislation preceded the organisation of co-operatives and the movement was introduced by the Government as a welfare measure and as a remedy for rural indebtedness.

Some difficulties

Though co-operatives have been working for over fifty years in India, one finds that even in areas where co-operation is best developed, only 30 or 40 per cent of the rural families obtain credit from co-operative societies. A large part of the cultivating population is still outside the co-operative fold.

Most of the co-operative societies have in actual working remained uneconomic units with a small area of operation and equally small membership and business. The societies are often not able to provide the full credit

requirements of the members and at times all the members are not financed by them. Delays, inelasticity and dilatoriness have been their common weakness barring a few exceptions. The societies have been unable to cope with the task of providing adequate finance with reasonable promptness to members for all seasons of agricultural operation, nor have they been able to mobilise rural savings and resources and pass them on to those in need of them for local productive employment in agriculture. Unlimited liability has often kept back the rich and the upper middle class farmers. Their money and experience have generally not been available to the societies.

Rural credit societies have mostly been operating as borrowers groups, depending largely on co-operative central banks for funds.

Sir Malcolm Darling has rightly observed : "All pressure requires some counterpoise and in the village society, the pressure to borrow, which may otherwise be irresistible, requires the counterpoise of the depositor, who is likely to keep a stricter watch on the business of the society than the borrowers." Small societies have not generally proved effective agencies for the promotion of thrift and the tapping and pooling of rural savings.

One fundamental feature of the working of primary credit societies operating in one or more villages, namely, honorary management, has not served its intended purpose. Whatever the position might have been during the early stages of the movement, it has not been possible in the majority of cases to secure the services of competent honorary workers to run small co-operatives with the requisite devotion and zeal.

In an increasingly complex modern economy, honorary service has obvious limitations and if vested interests

should get associated with it, the position becomes worse still. The primary co-operative credit society based on unlimited liability was expected to provide credit to every honest and hardworking agricultural producer. In actual practice, however, this expectation was not fulfilled to the necessary extent. There have been complaints that the more influential sections have benefited from these societies while the less privileged classes have in many cases been refused admission to the societies. Further, a large proportion of the existing small societies have poor membership, meagre working capital and inadequate business turnover and hence are unable to function as economic units. A large percentage of societies are working at a loss and not many can make appreciable profits or provide for reserves.

The Rural Credit Survey Committee

The All India Rural Credit Survey Committee set up in 1954 after a thorough analysis of the problem of rural credit and of the causes for the failure of the co-operatives has recommended the setting up of large-sized credit societies at the primary level. The survey report pointed out that the co-operatives have been able to provide only 3.1 per cent of the total annual borrowings of the cultivating classes. In the context of the Second Plan and the country-wide programme for increased agricultural production, the need for the provision of short-term credit through institutional agencies on a large scale is obvious. The Committee expressed the view that co-operation must be made to succeed since there was no other institutional agency to suit the rural economy of the country. For a proper choice of borrowers, assessment of needs, supervision of application for loans, follow up of the sale of produce and prompt recovery of

loans, co-operatives were considered the most appropriate institutional credit agencies.

Co-operatives to handle credit

The conference of State Ministers for Co-operation held in New Delhi in April 1958 has laid down the goal that within fifteen years, 50 per cent of the total credit business, along with business in marketing, processing, etc., should be handled by co-operatives. Unless the credit structure at the primary level is recognised and strengthened in the existing system, it will not be possible to make substantial progress. The scheme of integrated rural credit has therefore been brought into existence.

As a result of rethinking on the subject, the Prime Minister felt that the acceptance of the committee's recommendation regarding large-sized societies would mean building up the co-operative movement in the wrong direction. He felt that the committee tended to distrust our people and to regard them as incompetent to do the job without help from the Government official.

In the Prime Minister's opinion, it was important for the people to learn to do things for themselves and to develop the spirit of self-reliance and self-dependence.

Why small co-operatives?

The Rural Credit Survey Committee felt that large co-operatives with larger resources could employ trained personnel and therefore do much better work. The Prime Minister, on the other hand, appears to feel that in the process of achieving temporary results, permanent harm might be done.

Among the reasons adduced by the Prime Minister for preferring the small co-operative is the consideration

that the bigger a society is, the less the likelihood that members will know one another intimately and co-operate with one another.

In order to gain the advantages of bigger associations, small units can be linked together.

According to the Prime Minister, the three pillars of India, right at the base, should be the village panchayat, the village co-operative and the village school. It is on these that the whole structure of India should be built up politically, economically and socially.

The Prime Minister strongly believes in taking the risk of allowing the village co-operative to make mistakes. "It is better to do that than to hedge them in and make them feel helpless. All of us make mistakes," he said.

The Prime Minister has enumerated the following steps in the development of co-operation :

First, there should be co-operatives with credit and other services; secondly, the middlemen should gradually be removed; and thirdly, there should be joint co-operative farming with the members retaining their property rights.

As the small village co-operative takes on other functions besides merely providing credit, such as providing the requirements of the agriculturists, marketing and processing, it will become an effective instrument.

The number of small village co-operative societies rose from 1,16,000 at the end of 1950-51 to 1,79,000 at the end of 1958-59. The membership of village co-operatives rose from 51½ lakhs in 1950-51 to 138 lakhs in 1958-59.

The large-sized co-operatives have increased in number from 1,915 in 1956-57 to 6,318 in 1958-59.

The amount of rural credit given was Rs. 22.9 crores in 1950-51, Rs. 49.62 crores in 1955-56, Rs. 63.3

crores in 1956-57, Rs. 96 crores in 1957-58 and Rs. 130 crores in 1958-59.

There were 2,000 co-operative joint farming societies in India at the end of 1957-58.

The Government of India has already requested the State Governments to set up small committees to examine the existing co-operative laws and effect changes along certain broadly indicated lines.

4. THE CO-OPERATIVE STRUCTURE

Types of co-operatives

Co-operative societies may be divided generally into two classes, namely, credit and non-credit organisations. Credit organisations are of two kinds : those dealing with short-term and medium-term credit and those dealing with long-term credit.

Non-credit organisations consist of producers' societies, consumers' societies and other miscellaneous types of societies.

Under credit organisation providing short and medium-term loans come (a) the State Co-operative Bank, (b) the Co-operative Central Bank and (c) the primary society—rural and urban.

The Central Land Mortgage Bank and the Primary Land Mortgage Bank come under long-term credit organisations.

Among the non-credit organisations under producers' societies, there are two classes, namely, agricultural and non-agricultural types.

The State Marketing Society, the District Marketing Society, marketing societies, milk supply societies and other producers' societies can be classified as agricultural societies, while provincial handloom weavers' societies, weavers' societies and cottage industries societies can be classified as non-agricultural societies.

The district wholesale stores and the primary stores come under consumers' societies.

Besides, there are special types of societies that deal

with labour contracts, housing, insurance, motor transport and farming.

Primary Credit Society

The basic unit in the short-term credit structure is the primary co-operative credit society at the village level. Credit societies form the bulk of co-operative societies in all the States.

The village credit society mostly satisfies the conditions of sound credit. The conditions of good credit are : absolute proximity of borrowers and creditors; complete security to the lender as regards the title of the property offered and its freedom from prior encumbrances; the recovery of capital and interest on the due date in convenient amounts with facilities for enforcing such recovery in cases of arrears; and thorough confidence on the part of the borrower that he can obtain cheap credit at any time to an extent proportionate to the security he can offer and upon equitable and convenient terms.

The village credit society covers a small area to ensure close proximity and intimacy among members. The society is formed on the basis of unlimited liability, so that it is the interest of each member to keep himself informed of the affairs of the society.

Unlimited liability need not be dangerous if the members of the village society thoroughly realise its implications. Compact area, proximity and the admission of honest and hardworking persons as members, close acquaintance among members, supervision over the utilisation of the sum borrowed, a ban on undertaking any speculation or wasteful utilisation, a careful estimation of bad and doubtful debts, a statutory obligation to set apart 50 per cent of the net profits for the reserve fund—all these are effective safeguards against the dangers

of unlimited liability. The ultimate responsibility for the entire management of the society rests with the general body of the society. Each member of the society is a member of the general body. The detailed management of the society has necessarily to be entrusted to a small panchayat since it is impossible for a large body to attend to every detail of the work of the society. This panchayat is, however, only an agent of the general body. It is particularly important that the panchayat should act as a joint body and not allow any one person to dominate it. The president and the secretary, who are elected by the panchayat, are the chief functionaries and their services are honorary.

One of the chief objects of the society is to borrow funds (from members or others) and use them for loans to members for useful purposes. There are bye-laws which fix limits for the amount the society as a whole can borrow and also for the amount an individual member can borrow. The maximum credit limit is usually fixed at a figure which does not exceed one-eighth of the net assets of the members specified in the property statement.

The credit societies derive a large portion of their working capital from the Co-operative Central Bank. Loans from the Central Bank are secured by pronotes executed by the panchayat on behalf of the societies. The pronotes are payable on demand.

Loans

The societies issue short-term loans to members for current expenses, such as payment of *kist*, and for seed, food and cultivation expenses. These loans are repayable from the proceeds of the next harvest.

Intermediate or medium-term loans are issued for

the purchase of cattle, expensive farming implements and liquidation of petty debts.

Long-term loans, which are outside the purview of the village credit societies, are issued for the liquidation of prior debts, for the purchase of land and for other purposes which would continue to be productive for several years. The societies cater to the needs of members in respect of short-term and medium-term loans only. Long-term loans are provided by the land mortgage banks.

Short-term loans are those which are wholly repayable out of the proceeds of the next harvest. Normally, the period of repayment does not exceed twelve months. Long-term loans are those which are repayable in instalments over a period of years out of the annual savings of the borrowers. Medium-term loans are payable in two to five years. Loans are given on personal or mortgage security which consists of one or more members standing surety for the borrower which is in the form of a pledge of movable or immovable property. Personal security is more co-operative in character than mortgage security. A surety undertakes the responsibility for seeing that the principal debtor repays the loan in good time. This form of security is, however, obviously not suitable for long-term loans. Moreover, under the general law of the land, the bond obtained for a surety loan will be valid only for three years.

Non-agricultural credit societies

Both from the point of view of members and of transactions, the non-agricultural credit societies come next in importance. Among non-agricultural credit societies are urban banks maintaining fluid resources, limited liability societies not maintaining fluid resources and

employees societies. The problem in rural areas is to devise a machinery for dispensing credit to the large numbers of people who live by occupations other than agriculture.

Central Banks

The Central Banks form the backbone of the financing system of the co-operative movement. With the formation of a large number of co-operatives throughout each State, the need was felt for a central organisation to finance them. The Central Bank is composed primarily of societies which are financed by it, though individuals are also admitted as members. These societies play a significant role in the management of the Bank.

As the Central Banks formed in the districts increased in number and the problem of finance became more complicated, the need was felt for a central controlling institution.

In most of the States, primary agricultural societies are financed by Central Banks or banking unions.

The Reserve Bank

The Reserve Bank of India provides financial accommodation to the co-operative movement for seasonal operations and the marketing of crops as well as for non-agricultural purposes through the State Co-operative Banks. The Reserve Bank advances money at concessional rates, provided the finances are used for agricultural operations or for the marketing of crops, the intention being that the benefit of the low rate should be passed on to the ultimate borrower. Medium-term loans are also made available at concessional rates for agricultural purposes. The State Co-operative Bank fixes the maximum limit for a Co-operative Central Bank on the basis of the latter's funds.

Co-operative marketing

The case for co-operative marketing is that the co-operative organisation can undertake marketing services at a lower cost, both because the profit of superfluous middlemen can be eliminated and on account of the large volume of business they can get.

The marketing societies have confined themselves in a large measure to the grant of loans on the pledges of produce.

Marketing federations were started in a number of important market centres so that the primary marketing societies would be in a better position to undertake marketing. Their business included the co-ordination of the work and business of primary marketing societies.

Land Mortgage Banks

Land Mortgage Banks are intended to meet the long-term demands of agriculturists. At the base there is a primary land mortgage bank, and at the State level there is the Central Land Mortgage Bank, which is the financing agency for all primary land mortgage banks.

5. SERVICE CO-OPERATIVES

The Government of India is committed in terms of our Constitution to the organisation of the village on the basis of the village panchayat and village co-operatives, both of which should have adequate powers and resources to discharge the functions allotted to them.

Aims

The structure of a village co-operative will be such that all permanent residents of the village, whether they own land or not, will be eligible for membership. It devolves upon the village co-operative to promote the welfare of its members by introducing progressive farming methods and improved techniques of cultivation and by encouraging cottage industries. In addition to providing credit and other services, it will arrange for pooling and marketing the agricultural produce of the farmer and for providing him storage and godown facilities.

Both the panchayat and the co-operative should be the spear-head of all developmental activities in the village and more specially should encourage intensive farming with a view to raising the per acre yield of agricultural produce.

As a first step, prior to the organisation of joint farming, service co-operatives should be organised throughout the country. This stage should be completed within a period of three years. Even within this period joint cultivation can be started wherever possible and generally agreed to by the farmers.

Role of co-operatives

The National Development Council has carefully considered the role of the co-operative movement in intensifying agricultural production, in mobilising local manpower and other resources and in generally rebuilding the rural economy. For the development of co-operation as a people's movement, the Council considered it necessary that co-operatives should be organised on the basis of the village community as the primary unit and that responsibility and initiative for social and economic development at the village level should be placed fully on the village co-operative and the village panchayat.

The National Development Council has stressed the need for members of rural co-operatives to feel a sense of mutual obligation and concern for the rehabilitation of the weaker sections of the community.

The Council has pointed out that by working together for the common objective of raising the standard of living of all sections of the population, the community should develop social cohesion and a sense of unity.

The Council suggested that, where the villages were too small, it might be convenient to form them into larger groups with a population of about 1,000, with the consent of the communities concerned. As a rule, the co-operative and the panchayat would serve identical areas.

These institutions are to be encouraged to develop through the support of the people by undertaking constructive programmes for the benefit of the people and with their free participation. The aim is to ensure that every family is represented in the village co-operative.

To ensure proper management in these institutions, training programmes are to be organised for village leaders who work in village panchayats and co-operatives.

Similar programmes will also be conducted for teachers in village schools and for young men in rural areas. These young men could serve as secretaries of village institutions.

The National Development Council realised the difficulty in organising any large programme of co-operative development on account of the fact that the existing co-operative departments in the States were not adequately equipped in field personnel at the higher level. It is hoped that by strengthening the departments and by bringing into the field of co-operation experienced persons, both non-officials and officials, the situation will be considerably improved. The State Governments will make special efforts to draw an increasing number of non-official workers for honorary service so that the co-operatives retain their dynamism.

Working of service co-operatives

Single purpose societies have not been able to serve the needs of the people effectively. Every village should have a service co-operative society which can attend to the multiple needs of its members. Every family in the village should be represented on this society.

Agricultural credit must be linked with the marketing of produce through the agency of the village co-operative. It is considered better if loans are given in kind to avoid misuse. The members will be given seeds, fertilisers and other farm requirements.

The maximum credit limit should be fixed for each member keeping in view his capacity to repay out of the produce of his farm. Every farmer will have a pass book wherein the price of the articles advanced will be entered. This will bind the members to sell the surplus produce through the village co-operative. The advances

given to the members will be adjusted against the price of their surplus produce marketed by the co-operative.

The village co-operative can play a very important role in the programme of State trading of foodgrains since it will provide the means for delivering higher marketable surpluses. The service co-operative will also serve as a common store.

The service co-operative can also start small-scale industries for the processing of agricultural produce and this will provide employment for surplus village labour. It can maintain machinery or implements for tilling the land which can be lent out to the members on payment. Above all, the service co-operative can develop and serve as a labour exchange where the farmer can hire out his surplus labour or surplus bullocks.

The number of functions to be taken up by the service co-operative will depend on local conditions. But it is essential for a service co-operative to have a trained manager to attend to the day-to-day working of the society.

In the First Five Year Plan, emphasis was laid on a multi-purpose society and the need for each village to have a co-operative organisation to cater to the multiple needs of the members.

The Second Plan laid down the target of a co-operative for each village, the village being regarded as the basic unit in rural co-operation. The aim is that every family in a village should be represented in the co-operative. Non-cultivating families can also be admitted as members.

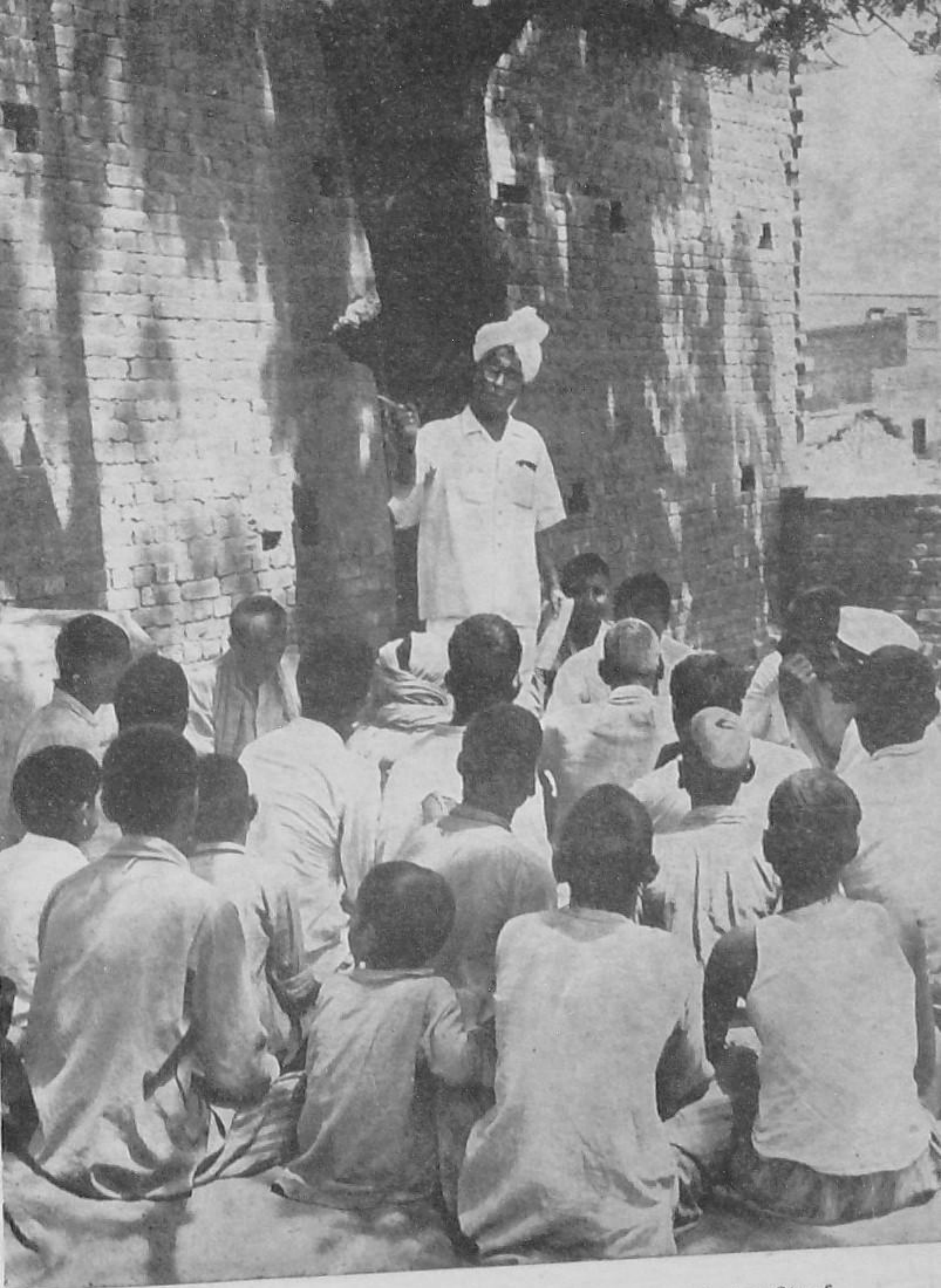
Seventy per cent of the villagers are farmers. At the beginning of the sowing season, they need money to buy seeds, manure, a new plough, a pair of bullocks and irrigational facilities, including the repair of wells. For

all this, they require money. If they do not have the money they have to borrow it. The banks cannot advance them money unless they have lands which can be mortgaged. Hence, the agriculturists turn desperately to the moneylender, who only lends them money at high interest. As the agriculturist cannot afford to pay for good seed, better implements, and an adequate quantity of fertiliser, the crop is meagre in quantity and poor in quality. The moneylender dictates the price of the crop as it is already mortgaged to him. The condition of the agriculturist thus becomes miserable so that he has hardly enough to sustain himself and his family, let alone think of profitable investment in the land. The cumulative effect of indebtedness and absence of credit-worthiness has resulted in sapping the enthusiasm and initiative of the ryot. This problem can be solved if all the cultivators can voluntarily get together and pool whatever little money they can spare. With the pooled resources, they can form an organisation for the common purpose of helping each other to meet their common economic needs. Such an organisation will be called the service co-operative.

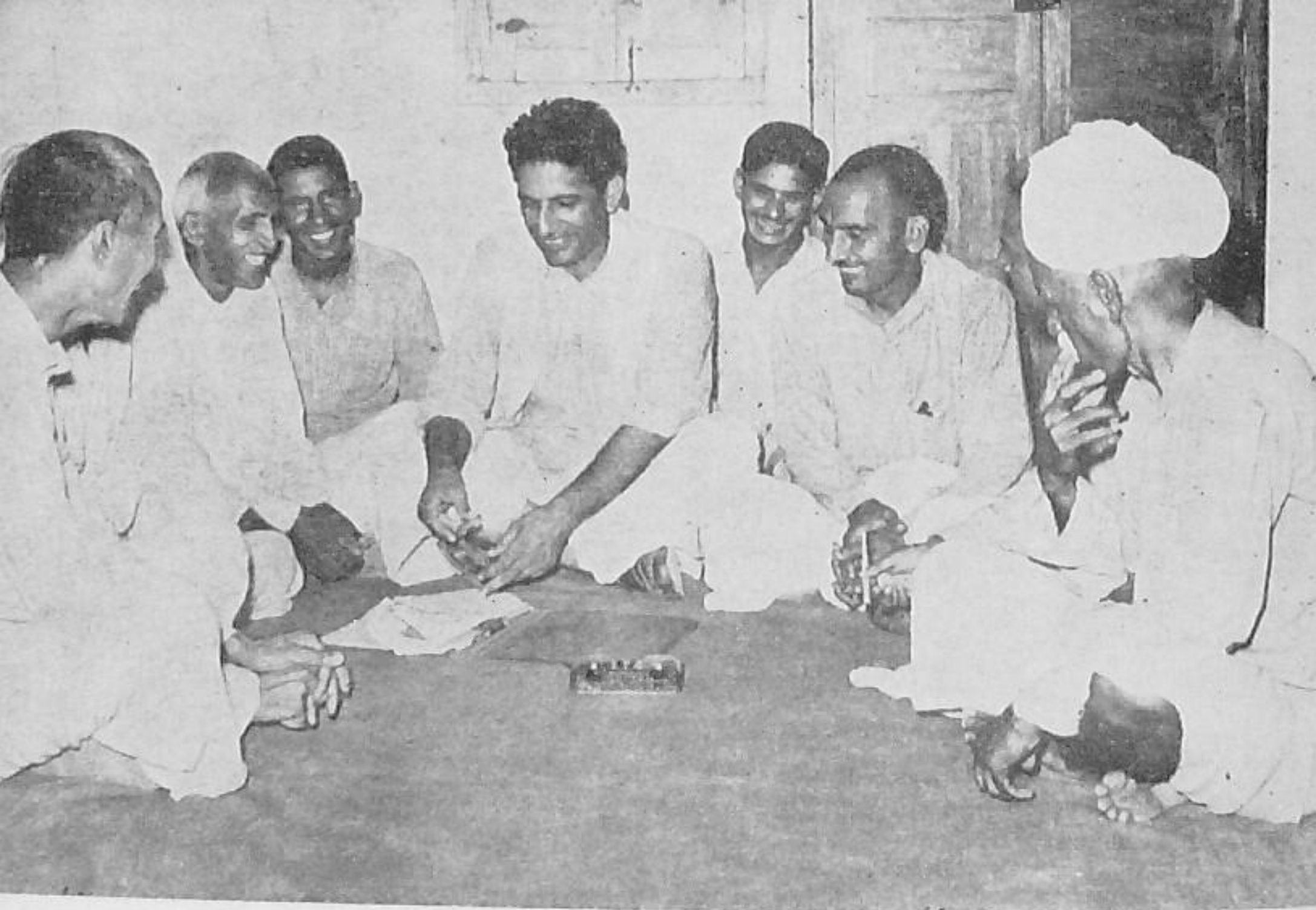
The fund formed will be the share capital, and the central bank will give a loan to an extent of several times the share capital. It can also supply the things required for production purposes.

The service co-operative gives short-term credit at the time of the sowing season and this can be repaid immediately after the crops are marketed. The agriculturist who takes credit from the service co-operative will be required to sell his produce at the nearest marketing co-operative and adjust the amount against the proceeds of the sale.

The service co-operative does not concern itself with



An Inspector of Co-operative Societies explaining the benefits of co-operation to villagers



A village leader discussing matters relating to a co-operative farming society with the members

The marketing depot of the Makhmelpur Co-operative Farming Society at Narela near Delhi





The persian wheel and the camel purchased by a co-operative society



A panchayat session listening to a villager

the question of whether a member has land to mortgage or not, since his capacity to repay the loan depends on the crops raised. The land available, the labour and attention applied to production and the yield likely to be derived are all taken into account. The credit-worthiness of the purpose for which the funds are used is the criterion rather than the credit-worthiness of the individual. Such a shift in emphasis is bound to make rural credit more easily available.

Medium-term loans are also sanctioned by the service co-operatives for the purchase of bullocks, for the improvement of land, for sinking wells and for installing pumps.

The service co-operative buys wholesale production requirements, such as seeds, fertilisers, manure, ploughs, hoes, insecticides and pesticides, cattle feed and so forth. The members can get any of these commodities at favourable prices through the co-operative. They can also take loans in kind if they cannot afford to pay cash, and the required price can be paid after the harvesting.

Service co-operatives also sell articles of daily use like sugar and kerosene at cheaper rates. The service co-operative sells the surplus produce through the marketing society, thus eliminating the *bania* or the big merchant who always pays the agriculturists less than the proper price for his produce. By selling his produce to the service co-operative, the ryot can get the maximum for his produce.

The service co-operative can select progressive farmers in the village and help them to produce good seed. Organic manure and compost manure can be also locally produced. The service co-operatives can undertake many other functions besides these for the benefit of their members.

Open to all

The service co-operative will be open to all members of the community. Every villager who has reached 18 years of age can join it. All the families in the village must be persuaded to join it. The larger the number of members, the bigger will be the share capital of the organisation. The greater the share capital, the greater will be the fund available for loans to the members. Further, the amount of money a co-operative society can obtain from the central bank depends on its own share capital.

Each society has to get registered if it is to become entitled to various benefits and privileges.

Fifteen members can sign a proposal to form a co-operative society and hand it over to the Block Development Officer or an officer of the Co-operative Department. The proposal will be examined and if it is found to be sound, a certificate of registration will be issued and the society will begin to function. Each member has to pay a small admission fee and at least one share has to be purchased. The amount of the fee to be paid and the value of the share to be taken will be prescribed in the bye-laws of the society. Provision can be made for paying the share capital in easy instalments.

Existing societies can be changed into service co-operatives by a suitable amendment of the bye-laws.

Responsibilities and rights

Every service co-operative will have a managing committee elected by the general body. Each member will assume responsibility for attending to one aspect or another, such as supply, marketing, etc. Every member has a right to vote and to represent his difficulties to the

managing committee, and each member is entitled to adequate and timely credit.

Every member has to inform the society about his credit requirements in advance. The loan must be utilised only for the purpose for which it is granted. Every member must guide the society and express his views freely and frankly and make the best use of the society.

The society must encourage thrift among its members.

The members should study their own problems of production as well as those of their fellow members, assess the combined requirements of all and draw up a suitable plan.

They must expand the activities of the society to undertake functions of production, minor irrigation and soil conservation.

Resources

The resources of the society can be strengthened by increasing the share capital, attracting deposits from members and creating a reserve out of the surplus earned by the society. Resources can also be built up by attracting deposits from non-members.

Cheaper credit and other facilities will increase the income of the members of a service co-operative. When the society makes profit, the members get a dividend on their shares. This extra income should not be wasted but invested in the co-operatives.

The service co-operative should depend more and more on its own funds comprising the share capital, the reserve and deposits. The books and accounts of the society should be kept regularly and always be up-to-date. The accounts should be audited in time and placed before the managing committee.

Those who join the society should not be sleeping members and should not hesitate to seek advice from the nearest co-operative office.

The society should not be made the preserve of the existing members.

6. CO-OPERATIVE JOINT FARMING

We have in this country the picture of an overwhelming number of small farmers with meagre resources engaged in precariously low levels of production. On the other hand, there are big landowners who lease out their lands to tenants content to produce what is adequate for their own sustenance and for the payment of rent on land. The result of this set-up is that the overall output is not significant. Individual possession and co-operative management appear to provide an effective means for increasing production.

The introduction of co-operative farming was strongly advocated by Mahatma Gandhi as early as 1942. Writing in the *Harijan* (Feb. 15, 1942), Gandhiji observed: "I firmly believe that we shall not derive the full benefits of agriculture until we take to co-operative farming. Does it not stand to reason that it is far better for a hundred families in a village to cultivate their lands collectively and divide the income therefrom than to divide the land anyhow into a hundred portions?"

Acharya Vinoba Bhave also favours co-operative farming, more especially in *gramdan* villages. He is strongly of the view that co-operative farming should be voluntary and that the size of the co-operative farm should not be too large.

The Report of the Agricultural Labour Enquiry Committee revealed that 48 per cent, or about half of the agricultural families in the country, have land holdings of less than five acres each; 31 per cent families have

less than $2\frac{1}{2}$ acres each, while 19 per cent are landless. That there is heavy concentration of ownership of land is clear from the fact that 4.5 per cent of the agricultural families hold 34.4 per cent of the land.

The problem of land is not merely a problem of food production. It is also a human problem. The pressure on land and the law of diminishing returns must be taken into account. More and more people are victimised by uneconomic holdings due to the ever continuing process of fragmentation and the increasing population. As time progresses, the problem of landless labour and uneconomic holdings will become more and more intensified and will seriously affect the supply of raw materials for industrial production. The land cannot bear the burden of providing the raw materials required for the growing industries. The agriculturist has to be provided with adequate facilities to produce more.

For the last 250 years, the sufferings of our peasants have been unimaginable. The farmers have been subjected to injustice and exploitation. Where lands are concentrated in a few hands, the rents are high and the yields are low. A thorough overhauling of the land tenure system was therefore called for to remove the oppressive landlord-tenant nexus. Co-operative farming has therefore assumed great significance in the context of fixing ceilings on individual holdings and the redistribution of surplus lands in favour of landless labour and of peasants with uneconomic holdings. Such a reform will eliminate the parasitic elements from the land sector and evolve economically viable units.

In co-operative joint farming, farmers with uneconomic holdings pool their land together and entrust it to the administration of the society. Members work in accordance with the directions of the society. Every

member receives wages for his daily labour, at the same time retaining the ownership of his holding. He gets the ownership dividend in proportion to the value of his share of the land in the pool.

The produce is raised and disposed of collectively. The proceeds after meeting the expenses of cultivation, such as payments for the use of land, wages and the cost of management and providing for a reserve fund, etc., are shared by members in proportion to the wages earned by them.

Co-operative farming is a new technique for tackling the problems of economic development and bringing about a social change. The aim is first to raise the economic viability of uneconomic, small and medium farms through the establishment of service co-operatives. After gaining experience, the peasants will be induced to come into the fold of joint co-operative farms.

Advantages

Service co-operatives mobilise the internal and external resources in money and materials while joint farming mobilises labour, which is the most abundant resource, and thus reduces the cost.

The pooling of land in joint cultivation is necessary for a minimum scale of efficient cultivation. Joint farming can absorb capital of all kinds and adopt new agricultural practices like ploughing immediately after the harvesting and rationalising the utilisation of labour.

Co-operative farming will be an effective answer to the twin evils of sub-division and fragmentation. It will increase production with reduced working expenses. It will help the units of farming, whether operated individually or jointly, to enjoy the benefits of centralised management with decentralised control. Agricultural

experts can be employed by joint farming co-operatives to advise on the purchase of implements and materials required for farming and the marketing of produce.

In the social sphere, co-operative farming tends to develop a group spirit and a social sense among farmers.

Increase in production will improve the general standard of living. This will result in improved housing conditions and improvement in communal services, such as recreational facilities, communications, electrification, etc. Better medical and educational facilities and other amenities of life will also follow the improvement in the general standard of living. Better working conditions will be created by bringing about reduction in working hours and making available more time for leisure and recreation.

All these advantages will not only accrue to the farmer but also percolate down to the community as a whole.

Joint co-operative farming develops among its members a strong democratic spirit which may find outlets of expression in such activities as the construction of schools and hospitals and the setting up of other co-operatives. The group spirit creates a feeling of security and self-reliance. It offers opportunities to the youth and the landless worker to settle on the land.

Joint farming also offers scope for a fuller life to the community and at the same time for a fuller development of individual personality.

Joint farming will also incidentally ensure closer co-operation among farmers in tackling common problems and between them and the Government in various spheres.

The Government can use the joint farming society for demonstrating to the farmers the benefits of various

researches. At present this cannot be done easily. The existing Government demonstration farms are very few in number and are located in distant places.

In times of emergency, the Government can carry on its policies in the field of agriculture, such as the regulation of crop production, the procurement of food-grains, etc., through joint farming societies. These societies can also facilitate the collection of agricultural statistics, the lack of which is now a serious drawback in framing policies for this sector.

Difficulties

The first difficulty is how to assess the performance of agricultural and various other operations.

There are three classes of members in a joint farming society. First, those who contribute land and implements, etc., as well as labour; secondly, those who have no land but who contribute labour through tenants, landless workers, artisans, etc.; and, finally, those who own lands but not contribute labour.

The fixation of proper remuneration for each operation also presents a problem since differences in skill and ability must be taken into account. Unless a proper system of remuneration is evolved, jealousies between the efficient and inefficient can easily wreck a society. Hence, a system of norms for important items of work must be evolved. By norm here is meant a standard of daily performance in regard to the quantity and quality of output expected of an average member working in a specified area of land with certain draught animals and farm tools and under particular conditions. Norms are also similarly prescribed for transporting manure, harvesting crops and carrying out other agricultural operations.

The allotment of tasks to members is another difficult task.

Requisites for successful organisation

Experience has shown that co-operative farming has developed to a high degree where either special incentives existed among the sponsors or its development was actively encouraged by the State. If, therefore, co-operative farming is to take deep root in India, a full measure of the people's co-operation and deep and abiding interest on the part of the State are essential.

In view of its great importance in our future agrarian pattern, the development of co-operative farming should be based on a definite plan. Joint farming societies should be assured of guidance by an expert staff possessing adequate knowledge of problems connected with their organisation. Some of these problems are concerned with the consolidation of holdings, land improvement, irrigation, crop production, the rotation of crops, the development of the dairy industry, cattle breeding, and the development of rural industries.

A programme of development should be drawn up for each society and there should be efficient supervision of the execution of the programme by the staff. This requires the training of not only the society's own staff but also the training of other people in all branches relating to agriculture. Trained personnel will have to be appointed as managers of joint farming societies till the latter are able to carry on by themselves.

Publicity is also essential in order to make people in rural areas aware of the benefits that can accrue to them through joint farming. This publicity can be carried on by means of leaflets in local languages, radio talks,

cinema slides, and the exhibition of various aspects of joint farming activities at fairs. However, the most effective method of popularising co-operative farming would be to organise model societies and prove their efficiency in actual practice.

In the organisation of model farms, the following factors have to be taken into account: the selection of land, the size of the land, rainfall, irrigation facilities, the type of the soil, and the fertility of the soil.

The farm should be large enough to facilitate large-scale tilling and the use of improved implements and better methods of farming.

In order to obtain a balanced economy, it would be advantageous to adopt mixed farming. A portion of the land can be kept for cattle grazing and a good dairy can be developed. Another part of the land can be used to grow vegetables so that the income of the farm is further increased.

Development of subsidiary industries

Subsidiary industries can also be developed on a co-operative farm so that full employment is always guaranteed to the members and their families.

Cattle breeding is of prime importance, since bullocks are required for ploughing and transport while cows and buffaloes yield milk and other products like *ghee* and butter. Milk is also necessary for the diet of members and their families and will bring about an improvement in nutritional standards. Surplus milk can be sold in the market and will yield additional income to the farm.

Another important item of work will be the organisation of processing industries. This will eliminate the need for selling the raw produce to middlemen at cheap

rates. Factories for oil pressing, paddy husking, ginning and pressing of cotton, sugar manufacture, etc., can be established. The establishment of these industries will add to the income of the societies and create further avenues of employment.

The setting up of cottage and small-scale industries will provide work to the members during the off-season and also to their families throughout the year. Among these industries may be included spinning and weaving, furniture making, utensil making, toy making, etc. The nature of the industries that can be started will depend upon the raw materials and power available in the area, the aptitude of the people and the market for the produce. The industries departments of the Government will give all possible assistance to such industries.

Criticism

Those who argue against co-operative farming say that it will result in the peasant losing all incentive and initiative. They hold that co-operative farming has all the defects of the joint family system. The peasant will not feel any real sense of responsibility, and will become a mere wage slave. They argue that co-operative farming will ultimately lead to collective farming and result in the loss of the freedom of the individual. According to them, it is not likely that two farmers would co-operate with each other.

Another criticism is that co-operative farming will create larger unemployment. Nor has co-operation in India, its critics say, yet proved a success. The critics are also doubtful whether adequate finances will be available for co-operative farming societies so that they can satisfactorily discharge their responsibilities.

Criticisms answered

The individual will not lose his initiative or incentive because he retains ownership rights over his property. By co-operation with other members, he helps to increase food production. He gets rent for the land and wages for the labour contributed by him on the farm. In a co-operative farm, work will receive a better share of the produce than property. So an incentive will be created for the people to put in greater effort and qualify for more income. This will also infuse in the members a sense of responsibility for the tasks allotted to them.

The Prime Minister has made it abundantly clear that there is no intention whatsoever of imposing co-operative joint farming on the Indian peasantry. To begin with, the intention is to spread a network of service co-operatives throughout the country on a wide scale. There can be no two opinions, according to the Prime Minister, about the utility of service co-operatives in India. Wherever these service co-operatives lead to voluntary joint co-operative farming, the farmers should be given the necessary facilities for trying out the experiment.

There is a significant difference between co-operative and collective enterprise. Co-operation is an association of free and autonomous and economic units, whereas a collective enterprise consists of members who have lost their economic autonomy. This is a difference about which the critics are not very clear.

It is not sound to oppose co-operative farming on the ground that two farmers will not agree to join together. If two capitalists can join together in a joint stock enterprise for mutual benefit, there is no reason why two agriculturists cannot do the same.

The Indian peasant is essentially a realist. He will

not be slow to realise the benefits of co-operative farming.

The critics talk of the loss of freedom of the individual peasant. The Indian farmer has always worked under great handicaps in his relationship with the owner (if he is a tenant) and with limited resources to cultivate a small-sized unit. He had no access to credit and marketing facilities and was idle for the greater part of the year. The landless labourer was in a still worse position. Through co-operative farming, they will be able to face all their difficulties as an organised force. They will enjoy greater freedom since they will have a greater chance of eliminating the unscrupulous money-lender and the greedy middleman. They will get more facilities than they have ever had before. Thus, the argument that the peasant will lose his freedom is meaningless. The sense of responsibility which the critics are afraid will suffer will, on the other hand, increase as the peasants exercise the rights and privileges of the members of a common society.

The critics have attributed to joint farming the defects of the joint family system. In a joint family, the ownership is vested in the family, not in the individual. There is therefore lack of incentive on the part of the members to contribute their utmost to the joint family. This is hardly the case in co-operative joint farms where every member retains the ownership of the land contributed by him.

Another criticism is that co-operative farming will create larger unemployment. Families who join a co-operative farm will pool together their lands, money and labour. By making effective use of these resources, they will be able to complete their programmes much quicker. These programmes will include the reclamation of land,

levelling, bunding, drainage, digging of wells, construction of irrigation channels, etc., which can provide immediate work for the unemployed. Further, the reclaimed lands will provide permanent employment opportunities to surplus labour. Other avenues of employment will be created by the conversion of dry land into wet land, the conversion of single-crop land into double-crop land and the adoption of intensive cultivation methods. Subsidiary occupations like horticulture, bee keeping, cattle breeding and poultry farming will help to absorb unemployed labour, besides augmenting the income of the farm. Increased agricultural production will mean more work for labour at various stages of cultivation. The marketing of the produce will also become a source of gainful employment.

Thus it will be seen that where there will be a more rational use of labour, more work will also be created with the pooling of resources and the adoption of labour absorbing programme.

Another criticism of co-operative joint farming is that it will result in low productivity. This might be true of disproportionately large-sized farms, where the difficulty of effective supervision of labour and efficient management might affect the per acre yield. We have, on the other hand, the picture of 30 per cent of Indian farms being small-sized uneconomic holdings of $2\frac{1}{2}$ acres each. These farms, with their inadequate resources, cannot even fully utilise the family labour. The result is that the crop is both meagre and poor in quality. Obviously, these small holdings could gain much by an expansion in size. In this respect co-operative farming can play the desired role. It is not contemplated that co-operative farms should be of an unwieldy size. Their size will be consistent with operational efficiency. Since

a co-operative farm will be a voluntary association of farmers, there will be rationalised use of labour resources and useful programmes will be undertaken for absorbing surplus labour.

As has been said earlier, a co-operative farm can, unlike small private farms, create large employment opportunities. Co-operative farms will be a powerful counteracting influence against any further fragmentation which has been the bane of our agrarian economy. The pooling of such resources as money, land and labour will effectively mobilise agricultural surpluses and control anti-social activities. The utility of co-operative farms will increase if they are assured of basic necessities, such as credit, water, seeds, manure and implements. The experience in countries like France, Sweden and Norway has shown that co-operative farming, far from resulting in low productivity, tends to increase agricultural production.

Its critics also say that co-operative farming in India has not yet proved a success. Unfortunately, many of the co-operative farms in this country came into existence in order to dodge the impending ceilings on individual holdings so that they are more or less associations of absentee landlords. Co-operative farms have, therefore, not really had a fair chance. The difficulties in the way of setting up these farms can be overcome by introducing service co-operatives which will pave the way for co-operative farming.

The critics of co-operative joint farming have really no constructive solution to offer to the farmers with uneconomic holdings.

Another question that is raised has to do with the finances required for the functioning of co-operatives. In view of the enormous capital outlay involved, the

service co-operatives will necessarily have to depend to a large extent on their own resources. A co-operative society must build its own credit. It can do so exactly like the merchant who raises finances through his own influence and goodwill in the market. The co-operatives must induce non-farmers to put their trust in them. No amount of legislation can achieve this object.

An increase in agricultural production will be brought about through the provision of credit and other facilities by the service co-operatives. This will bring greater returns to the co-operative and when the co-operatives further handle the processing and marketing they will have considerable surplus money which can be used for taking up labour-absorbing and welfare schemes.

Panchayats and co-operatives

Active co-operation among people is necessary to ensure that co-operative farming succeeds in increasing the food output. Local panchayats could certainly assume some measure of responsibility for this.

It is gratifying that a beginning is being made with a certain measure of decentralisation which is so necessary for building a socialist co-operative commonwealth. Over-centralisation results in administrative delay, which ultimately leads to waste and corruption. Panchayats are necessary for associating the people with the administration just as co-operatives are necessary for associating people with economic development.

The constitution of panchayats should be such that they can function as large families with initiative and enterprise. If the people are given responsibility, they are bound to learn even from their mistakes. It is equally necessary to ensure that popular institutions like

panchayats are entirely free from political influences and from too much official interference.

Co-operative farming, even on an experimental basis, cannot succeed except through the agency of a panchayat. What is required most, therefore, is the reorganisation and strengthening of the panchayat.

7. CO-OPERATION AND COMMUNITY DEVELOPMENT

The aims of the Community Development Programme and of the co-operative movement may be said to be almost identical. Both are intended to activate latent resources and manpower for creating new wealth. Co-operative societies offer opportunities and scope for the people to participate in the implementation of community development programmes.

Community development seeks to bring about a change in the outlook of the agriculturist in the direction of using better scientific methods and conserving available resources. It seeks to provide credit, irrigation and other facilities to the ryot to enable him to increase agricultural production.

It aims at providing wider opportunities for employment through subsidiary and cottage industries. These are also the aims of the co-operative movement. It is the logic of this situation which is reflected in the decision of the Government of India to combine community development and co-operation in one Ministry.

Prof. D. C. Karve says : "If development is to be realised in a society of small farmers in a manner which will not reproduce conditions of economic concentration or economic exploitation, which prevail in a regime of landlordism and moneylending, it can be achieved only on the basis of mutual service."

Community development and co-operative organisation are two aspects of the social pattern which we have

chosen for ourselves. Our policy and programme is the creation of the co-operative commonwealth. Without co-operatives and panchayats, there is no prospect for community development and without community development there is no prospect for democracy.

Hitherto, co-operative societies existed mainly for giving loans on security. Their usefulness was restricted. Now the co-operatives are to be used not only for issuing loans but also for promoting thrift, for obtaining requisites for better farming, for finding a better market for produce and for several other items of daily business affecting village artisans as well as cultivators. Co-operation has to concentrate more and more on the productive use of resources.

As a result of the development programmes in rural areas, the cash earnings of the rural population are on the increase. The net incomes in rural areas are also going up. For the benefit of the rural people as well as for the benefit of the nation as a whole, it is desirable that these cash balances of the rural people be brought within an organised system of finance. The co-operative institution has a significant part to play as a basic unit of the national financial structure. To persuade the villager to commit his cash and savings to the care of the co-operative, its management and capital structure should be such as to inspire confidence. As development proceeds, the resources of the members will increase and make them more and more independent of external resources. The number of co-operatives will also increase.

As the activities of co-operatives increase, the State capital should gradually retire, thus making the co-operatives completely self-reliant. Like other items of community development, co-operative development will

conform to the principle of using State resources in such a manner as to maximise the people's own efforts and render unnecessary the permanent subsidisation of normal developmental activity.

Community development is an extended form of co-operative activity. The attention of all developmental workers should be concentrated on service co-operatives in the village. These societies will supply the producers goods like fertilisers and implements and consumer goods like cloth and sugar.

To ensure the widest possible distribution of possession and the productive use of wealth, a decentralised and co-operatively organised economy has to be created at all levels. It is the policy of the Government of India to strive persistently for the establishment of a co-operative commonwealth.

Education in the principles and practice of co-operation has to be imparted on a wide scale if the efforts at co-operative reorganisation and development are to be appreciable. The Government of India, the Reserve Bank, the State Governments, the All India Co-operative Union and the State Co-operative Unions are collaborating in establishing a nation-wide system of co-operative training for all types of co-operative organisations.

With the acceptance of the principle of decentralisation enunciated in the report of the Balwantrai Mehta Committee, co-operatives will be called upon to play a more vital role in community development programmes.

Co-operative Extension in Community Development Programmes

The aim of co-operative extension in community development programmes is to organise more

co-operatives so that the benefits will be shared by more and more people. The co-operative extension programme aims to organise more societies, to increase membership in societies which are already operating, to educate members to form co-operative societies, to encourage them to assume responsibility and to see that they enjoy the advantages of the society and finally to help revive and reactivise dormant societies. The objective is not merely to organise co-operatives but to build a genuine people's movement that will endure.

To convert people to believe firmly in co-operation takes time. It calls for the moulding of a new personality. Co-operation begins in the minds of men and women. The first step in the co-operative movement is education and not legislation. The examples of the best co-operative developments in the world, such as that in Denmark, started without any legislation at all. Legislation can only help to spread co-operatives when the right conditions exist. The good extension worker does "organise the people", but he only helps to guide the people to organise themselves. The impulse and the desire to organise must come from within, as a result of knowledge, information and education.

It is also the function of the extension worker to see that societies are registered in time and loans are distributed to the members promptly. He must also see that loans are issued to the poor who may require them for creditworthy purposes.

The village co-operative is essentially a business organisation, the resources of which are based largely on contractual obligations. The village co-operative and the village panchayat have specific powers of their own. There are certain functions at the village level which can

be taken up either by the panchayat or the co-operative, according to local circumstances. Therefore, it is necessary to ensure that there is the fullest co-ordination between the two.

8. SOCIALIST SOCIETY THROUGH CO-OPERATIVES

The inequalities that exist in the social and economic fields cannot be remedied by the *laissez faire* approach. To bring about such large-scale social and economic transformation requires great national effort. The *laissez faire* policy will make it possible for the strong to keep the weaker and more unorganised sections of society in subjection. This risk which any government wedded to the concept cannot be allowed in a democratic welfare State. The accumulation of political and economic power in a few hands will hinder the enjoyment of political and economic freedom by large masses of people. The co-operative way is thus the ideal path for realising our objectives in consonance with democratic principles.

Our struggle for freedom and other factors have made it possible for us to go the democratic way. This way should lead us to freedom, progressive equality, a sense of oneness and widespread economic well being.

Agency for democratic planning

The committee appointed by the Government of India in 1945 to go into the question of co-operation came to the conclusion that a co-operative society was the most suitable medium for the democratisation of economic planning. The committee held that the co-operative provided the local unit which could fulfil the dual functions of educating public opinion in favour of a plan and of executing it.

In the First Five Year Plan, the Planning Commission observed:

“The reorientation of the economy in terms of the objectives of the Plan involves a rapid expansion of the co-operative forms of organisation. The possibilities of co-operation in the vast fields of primary production, cottage industries and small-scale industries, marketing of agricultural produce, residential housing, wholesale and retail trading are immense.”

The principal objectives of the Second Five Year Plan have been formulated thus:

1. A sizable increase in national income so as to raise the level of living in the country.

2. Rapid industrialisation with particular emphasis on the development of basic and heavy industries.

3. A large expansion of employment opportunities.

4. Reduction of inequalities in income and wealth and a more even distribution of economic power.

Co-operation has been assigned an important role in the Second Five Year Plan, as it is an effective instrument for fulfilling the objectives stated above. As stated in the Plan, “Economic development along democratic lines offers a vast field for the application of co-operation in its infinitely varying forms. Our socialistic pattern of society implies the creation of a large number of decentralised units, both in agriculture and industry. The character of economic development in India with the emphasis on social change provides a great deal of scope for the organisation of co-operative activity. The building up of a co-operative sector as part of the scheme of planned development is thus one of the central aims of national policy.”

Agency for Decentralisation

The co-operative is a remedy in many spheres of life. In a democratic socialist society, the dignity of the individual is held sacred. If an individual feels helpless and unable to do things for his economic well being, he can do them in co-operation with others. If co-operation is practised, it will make the foundations of democracy strong. Co-operation promotes unity. It makes possible disciplined functioning on a small scale. It lessens the burden on the State because the social, economic and other processes are best solved by the people themselves through their combined efforts. Through co-operation, there can be a widespread sense of self-reliance and increase in social and economic well being among large sections of the people.

The cultivation of co-operative habits will increase the managerial talent among the people to look after their own affairs. State aid will be channelled properly through the co-operative agency, instead of being wasted on a large number of scattered and unorganised individuals.

Service co-operatives and co-operative farming will cover the bulk of the country's population and important activities. People must realise that they can regulate their lives and increase their well being by pooling their resources. But this requires a lot of effort on the part of educated people, the co-operators and others interested in the building up of our nation.

9. TOWARDS AN AGRO-INDUSTRIAL ECONOMY

The object of our planners is to step up agricultural production rapidly in order to bridge the wide gap between rural and urban incomes. About 75 to 80 per cent of the people living in rural areas get only about 48 per cent of the national income. Unless, therefore, efforts are made to achieve greater farm output, our economy will suffer from serious stresses and strains. Through the programme of dispersal of industries we have to persuade our people to turn towards an agro-industrial economy. Since our people are concentrated heavily in rural areas, an agro-industrial economy will bring about maximum production and maximum employment.

The target for agricultural production in the Second Plan is 80 million tons and that for the Third Plan 110 million tons.

Our planners are strongly convinced that the village panchayats and the village multi-purpose co-operatives are the only agencies for increasing agricultural production in a democratic country.

In earlier days, the village co-operative was only an agency for providing agricultural credit. Now the multi-purpose co-operative offers services touching all aspects of rural activity. Besides supplying the agriculturist with credit for the purchase of improved seeds, manure, implements and his other requirements, the multi-purpose society will undertake the supply of articles of daily use, such as kerosene, sugar, cloth, etc. There will be more

efficient utilisation of man power and animal power. With the increased income derived from greater farm output, the multi-purpose society will open up more avenues of employment by undertaking such operations as the maintenance and execution of minor irrigation works and contour-bunding. It is expected that the four branches of rural economy, namely, cultivation, animal husbandry, trade and commerce and cottage industries, will be reorganised on co-operative lines.

The increase in the national income will help to improve the conditions of the backward sections of our people and facilitate the development of our backward areas.

State control over the key industries, which we are gradually developing, will also help to divert national income for the development of backward areas. The backwardness is mostly due to the inadequacy of the means of production. Therefore, the means of production must be improved, there should be more investment and more efficient and effective use of capital. The villagers hereafter will work not only with their hands but will also use power to augment their production.

Our agricultural planning aims not only at increased production but also at fuller employment through irrigation projects and cottage, small-scale and medium-sized industries.

It is essential that new industries should be started as far as possible in rural areas if the disparity between rural and urban income is to be reduced. But we cannot think of industrialisation of the countryside unless there are skilled workers in the villages. We have to help the people to harness and utilise local resources and persuade technicians not to flock to the towns.

The nature of the industries to be started in rural

areas will naturally depend on the raw materials available locally. For instance, the oil pressing industry can be started in areas where oil seeds are grown in abundance; spinning mills can be set up in cotton-growing areas and sugar mills in sugarcane-growing areas. The large number of co-operative spinning mills and co-operative sugar factories which are coming up are evidence of the growing interest of the rural people in such industries.

To carry on these activities the present bureaucratic approach will not serve the purpose. The village panchayat and other local bodies are in the best position to draw up and implement schemes for the development of rural industries.

It is accepted that unless there is a surplus in agriculture, we cannot industrialise the country. A shortage of raw materials will push up the prices of manufactured goods. While increased agricultural production is the basic condition for economic development, the development of an agro-industrial economy will help to start industries without shifting population and with reduction in production costs. The setting up of industries in rural areas will require the minimum of transport. With the establishment of industries on a wide scale, rural life will undergo a transformation and the cost of industrialisation will therefore be brought down.

This is broadly the picture of the newly evolving economy of rural India, which will be actively stimulated by the village panchayat and the village co-operative.