

DEVELOPMENT

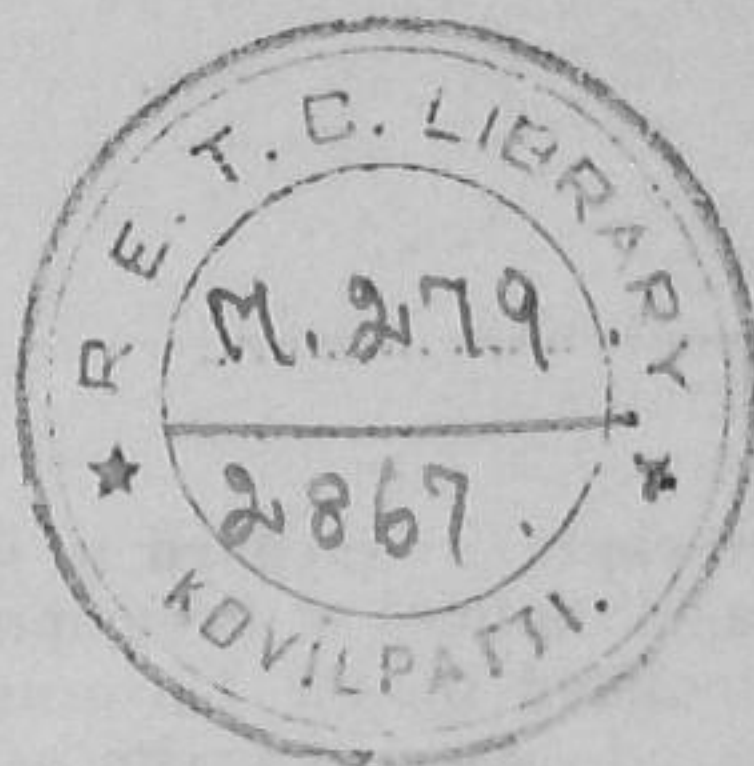
OF

COOPERATIVES

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Ministry of Community Development and Cooperation

(Department of Cooperation)

GOVERNMENT OF INDIA

The brochure is intended to provide an indication of the broad outlines of development of co-operatives, as contemplated by the Government of India, to all those who are associated with or interested in a rapid and sound expansion of the co-operative movement in the country. While every attempt has been made to present and interpret Government's decisions faithfully, the contents of the pamphlet should not, however, be regarded as an authoritative text of official directives.

INTRODUCTION

The co-operative movement in India is over half a century old. During this period, it has passed through several phases of expansion, stagnation and revival.

It figures prominently in our national Plans. The First Five Year Plan emphasised the importance of co-operative methods, particularly in agricultural development, marketing and cottage industries. It set a total target of Rs. 130 crores per annum for short, medium and long-term agricultural credit.

The Second Five Year Plan raised the target higher and fixed it at Rs. 225 crores. The main recommendations of the Rural Credit Survey Committee, appointed earlier by the Reserve Bank of India, formed the general basis on which the programmes of co-operative development for the Second Five Year Plan have been drawn up.

At its meeting of November 8 and 9, 1958, the National Development Council considered the role of the co-operative movement in rural development. In the N.D.C. resolution on the subject, there is a clear shift in emphasis from viability to close contact, social cohesion and mutual obligation amongst members.

The N.D.C. resolution is broadly based on following considerations and objectives :—

- (1) The development of the co-operative movement should be directed towards intensifying agricultural production. It should aim at mobilizing local manpower and resources and, in general terms, rebuilding rural economy.
- (2) For this purpose, co-operatives should be organised on the basis of the village community as the primary unit. Co-operation should be developed as a peoples' movement. It should bring within its fold all villages and rural families within as short a period as possible, and, at any rate, not later than the end of the Third Five Year Plan.
- (3) Each Primary co-operative society should draw up a comprehensive programme for increased agricultural production in the village. The grant of credit should be closely linked with such a programme.

- (4) To achieve the objectives of increased agricultural production and the re-building of rural economy, rural co-operatives should undertake various specific measures. Such measures include the full use of irrigation facilities available, and application of improved agricultural techniques. Other programmes of importance for the rural economy, such as the promotion of animal husbandry and village industries should also be undertaken by the co-operatives.
- (5) For the programme of increased agricultural production, it will be necessary to provide credit on a larger scale, than formerly envisaged. The targets laid down in the Second Five Year Plan should, therefore, be revised. Moreover, co-operative credit should be made available on a liberal scale and on terms suitable to all farmers, especially to those not able to obtain credit under ordinary commercial banking principles.
- (6) Co-operative marketing should be linked with credit. Arrangements should be made to collect the surplus agricultural produce from farmers through village co-operatives and marketing societies at assured prices. This would ensure larger supplies of food-grains for meeting the needs of urban areas. It will also provide larger credit facilities for the rural areas. The programme of co-operative processing, especially of food crops, should be enlarged.
- (7) Training programme on a large-scale should be organised for village leaders to serve on co-operatives. Training should also be arranged for young men in rural areas to work as secretaries of village institutions. The co-operative Departments of States should be strengthened.
- (8) Co-operative law and rules, and the present procedure for registration of co-operatives should be made simpler. Similarly, rules and procedure for grant of loans by them and their management should be simplified. They should be such as will help and not impede the development of co-operation as a popular movement.
- (9) Taccavi loans and other facilities should be channelled through co-operatives. This and similar measures will induce villagers to join co-operatives.

The resolution envisages the total membership of agricultural co-operatives to about 20 million by the end of the current Plan.

A Working Group was appointed by the Ministry of Food and Agriculture (which until recently was in charge of Co-operation at the Centre) to consider the administrative and organisational arrangements for implementing the resolution.

Later, the National Development Council considered the report of the Working Group and also the views of the State Governments, the Reserve Bank of India, the State Bank of India and a number of prominent co-operators and made certain recommendations.

After carefully considering the recommendations of the National Development Council and other relevant papers, the Government of India, have now reached certain conclusions regarding the policies to be followed and the steps to be taken for co-operation.

The following pages contain broad indications of those policies and measures.

POLICIES AND MEASURES

Community Development and Cooperation

1. The Community Development Programme aims at the improvement of all aspects of rural life through the efforts of the people. The panchayat and the co-operative are the primary agencies for carrying out the programme. The village agricultural programme is the foundation of the plan for co-operative development and should receive the highest priority.

2. In carrying out the co-operative programme, the role of the community development organisation as an agency of the State Government must be fully recognised. It is essential that before a co-operative society is registered or an existing society taken up for revitalisation the block extension officer for co-operation, the co-operative staff under him and the village level worker ensure that the programme is drawn up after the fullest consultation with them.

Role of V L W

3. The primary work of the village level worker should be in the field of agriculture, co-operation and panchayats. He should help co-operative development particularly in the matter of publicity, propaganda, organisation and assistance to village co-operative societies in implementing their plans of production. He must, therefore, have a fairly adequate grounding in the theory and practice of co-operation. The co-operative content of his training should cover a period of at least three months. Action in this connection is being taken in consultation with the Ministry of Food and Agriculture who are in charge of village level workers' training centres. Refresher courses for village level workers should also be held periodically.

Functions of the Village Cooperative

4. The primary functions of the village co-operative will be the provision of short and medium-term credit, meeting agricultural and other production requirements and the marketing of agricultural produce. In addition, the co-operative will help formulate and implement a plan of agricultural production for the village. It will also undertake such educative, advisory and welfare work as the members might be willing to take up. For specific functions, co-operative societies may be organised for groups of villages, *e.g.*, for industrial workers. They may also be organised within a village on behalf of those who benefit

from a particular activity, *e.g.*, co-operative farming, tube-wells, soil conservation, etc.

Division of Functions

5. The village panchayat is an administrative body comprising of all the people in the village. It has revenue resources and taxation powers. The village co-operative on the other hand is essentially a business organisation. Its resources are largely based on contractual obligations. Each of the two organisations has specific functions of its own, but there are certain functions at the village level which could be taken up either by the panchayat or the co-operative according to local circumstances. It is, therefore, necessary to ensure that there is the fullest possible coordination between the two.

Size of Primary Cooperative

6. Co-operatives should be organised on the basis of the village community as the primary unit. Where villages are too small, with the consent of the communities concerned, a number of them covering a population of about 1,000 could be grouped together. A certain amount of flexibility would, however, be necessary. Suitable adjustments in the size of the population covered by a village society can be made, provided the essential characteristics of a co-operative society, namely, its voluntary basis, close contact, social cohesion and mutual obligation are ensured.

7. The organisation of village co-operatives on the above lines is the pattern for general application. There are, however, tracts which are specially backward in the economic sense and it may not be possible in the near future for village societies in such areas to adequately handle credit and other activities. There are also areas in which co-operative societies have for various reasons been chronically stagnant and unable to render even the minimum service. In such areas the normal programme of revitalisation both for credit and other purposes may not hold near prospects of success. There is, therefore, a danger that in our efforts to organise village societies handling various activities as well as credit, the important function of credit itself may suffer. It is, therefore, proposed that in such areas a credit union may be organised for a group of villages which will also have village societies.

Membership of Credit Union

8. Every village society lying within its area will be eligible for membership in the credit union of which it should be enrolled

as a member. So also will be individuals residing within the area of operation of the credit union. The membership of individuals in the credit union will depend on their membership of the village co-operative society affiliated to the credit union. The credit union will advance loans directly to its members. These will be given on the recommendation of the affiliated village co-operative societies. The village societies will also be fully used for supervising the utilisation of loans and for recoveries. The village societies will handle all other items of work to be taken up by primary village societies. Care should be taken to develop the village societies so that in course of time they are in a position to handle the credit work also. In the implementation of policy in these areas there should be a good deal of flexibility and positive steps should be taken to give an impetus to the movement. The areas for the adoption of this pattern should be selected by State Governments. The Government of India should, however, be kept informed of the areas so selected.

9. Conditions in tribal areas are very different from those in the rest of the country. The pattern of a credit union for a group of villages may also be found suitable for them. In framing programmes for the tribal areas, special attention should be paid to the tribal organisations, customs and other significant conditions obtaining there.

10. The State may, if it considers necessary, contribute to the share capital of the credit union. The terms and conditions particularly relating to the retirement of the state share of the capital should be determined in the light of local conditions. The credit union may also be assisted according to the circumstances, provided the total assistance does not exceed Rs. 900 spread over a period of five years. The Government of India will share the cost of such assistance with the State Government on a 50 : 50 basis.

11. Liability in the village societies may be either limited or unlimited. There should be no rigidity of approach in this respect. This question should be left to be determined by the members of the village society concerned.

Share Capital Participation

12. Share capital participation by the State in Apex and Central Banks and marketing and processing societies should continue, but there should be no state participation in the share capital of village societies. The real question is how to finance village co-operatives on a large scale over a period of time. Such finance is needed by all the cultivators and particularly by

small land holders who cannot get adequate credit for increasing agricultural production. The Department of Co-operation and the Planning Commission are examining, in consultation with the Reserve Bank, the question as to how larger funds can be made available through co-operative societies for implementing village agricultural production programmes.

13. Large sized societies covering a number of villages and a large population and with State participation in share capital should not be organised in future. Commitments made regarding managerial assistance, share capital contributions, etc., in respect of large-sized societies registered before 1st April, 1959 should, however, be fully met.

Limited Assistance

14. It is recognised that new societies and existing societies taken up for revitalisation will, in the initial stages, require some financial assistance to meet their working expenses. The actual assistance to societies will have to be worked out after considering various factors, by the State Government. Such assistance, should, however, not exceed by more than Rs. 900 per society spread over a period not exceeding five years. The Government of India and State Governments will share equally the cost of such assistance.

Right of Admission

15. In some States persons without permanent rights in land are either not admitted as members or are not provided with adequate credit. If co-operation is to be developed as a country-wide movement, it is necessary that every person who wishes to join a society is enabled to do so. The final decision about admission must, of course, remain with the society but in order to prevent injustice, a right of appeal against refusal to admit a person as a member should be provided. It is only when every family in the village joins the village multi-purpose society that it can become fully representative.

16. In every village there are a few families who do not require credit on any large scale and may indeed, have surplus funds for investment. Efforts should be made to attract them to the village society so that the necessary funds are found locally to the maximum possible extent. These families often provide the leadership in the village and their association with the village societies will be a source of strength.

Incentives

17. Village multi-purpose activities should provide not only credit but various other services and facilities. A large number of such facilities are, at present, provided by Government. It should, therefore, be the policy to progressively make such facilities available only to members of village societies. Similarly there are certain other services like land mortgage banking and marketing which should also be progressively made available only to members of the village co-operative societies.

18. It is realised that all this cannot be done straightaway. State Governments and co-operative organisations should examine these suggestions and lay down a reasonable time-limit within which they should be implemented.

19. The membership of village co-operative societies at the end of 1957-58 was a little over 10 millions. The target set by the National Development Council to be achieved by the end of the Second Five Year Plan period is 20 millions. It is felt that with special efforts, particularly from non-official agencies, and with larger financial accommodation for village multi-purpose societies, this target should not be incapable of achievement. In this connection, it is necessary to ensure that expansion is really sound and not merely on paper. For this purpose, State Governments should lay down certain minimum conditions regarding membership and contribution to the share capital before new village societies are registered. State Governments should, in the light of these observations and the local conditions, prepare revised targets for new societies to be organised, existing societies to be revitalised and overall increase in membership.

20. As regards the target for credit, the Government of India are fully aware of the difficulties in providing adequate finance for 20 million members and of the various problems that arise in this connection. This question is being examined separately. It is, however, necessary to impress on State Governments the need for substantial increase in share capital and deposits in societies. Special efforts in this respect should, therefore, be made.

Non-official Initiative

21. If co-operation is to succeed as a peoples' movement, it is necessary that non-official effort is brought in on a considerable scale. For this it is essential to create the necessary atmosphere. Even today in many States it is still the practice

to nominate Government officials as Chairman of the Board of Directors. This practice should be given up at the earliest possible. Honorary workers and people with enthusiasm, ability and integrity must be attracted to the movement in large numbers. This is particularly necessary in respect of organisations which have promotional and educational activities.

22. For implementing the large scale programme of expansion envisaged, something more than official and non-official effort in the form in which it is available today is needed. A mass scale effort throughout the country is required. A vast army of persons with the essential background and knowledge of co-operation will have to go into the field and carry the message to the masses and organise them. Special efforts in this connection will, therefore, be necessary.

Intermediary Organisations

23. The organisation of supervising unions at the block or equivalent level is very necessary for the purpose of supervision, education, organisation and promotion. These supervising unions should be federated into district unions and a union at the State level. It is only thus that non-official effort in the co-operative field can be secured on a sound and stable basis. The Government of India would be prepared to share with the State Governments the cost of financial and technical assistance that may have to be given to such unions in the initial stages.

Marketing, Processing and Storage

24. There is a great need for more intensive development of co-operative marketing and processing. This is absolutely essential in view of the role co-operative marketing societies are expected to play in connection with the scheme for State trading in foodgrains. Village societies should be members of such marketing societies and should act as their agents for the sale of all surplus agricultural produce. Marketing co-operatives should be in close and constant contact with the central banks which should, to the maximum possible extent, open branches at the headquarters of marketing societies. This is also necessary for the convenience of the village societies in that area, particularly when banking unions covering a group of villages are not to be organised. There must be the fullest coordination between the central banks and their branches, marketing societies and village societies, if linking of credit with agricultural production on the one hand and with marketing on the other is to be ensured. Marketing societies should have godowns not only at their headquarters, but at suitable centres in the areas covered by them,

in addition to godowns of large-sized societies and societies located in big villages. The present programme for the organisation of marketing societies should be accelerated and proposals for its expansion formulated so that all the markets in the country are covered. An expanded programme for co-operative processing should also be drawn up for implementation in the near future. Assistance for these programmes will be available according to the present pattern.

Training and Education

25. The existing arrangements for training of departmental employees and employees of co-operative institutions should be expanded considerably in view of the large scale expansion that will be necessary in the co-operative departments of State Governments. The Reserve Bank of India, the Government of India, and the State Governments who are incharge of this work should examine the position and formulate revised programmes in this connection. Training and education of non-officials is being done on a small scale by the All-India Co-operative Union through State Governments and State Unions. A comprehensive programme of training and education at the village, block and district levels should be drawn up. Some proposals in this connection are at present under the consideration of the Government of India. State Governments should, in the meanwhile, examine the position. The Government of India will continue to assist in the implementation of such programmes on the present pattern.

Strengthening of Department

26. There has been considerable progress in some States in this respect during the last three years. The position in other States, however, is not satisfactory. As a result, supervision and inspection are inadequate and there are heavy arrears of audit. State Governments should also examine the position in the light of the larger scale expansion envisaged. They should take necessary steps to increase the departmental staff at all levels. The Government of India will share the cost of additional staff sanctioned in the supplementary plans for 1959-60, and for the remaining period of the Second Five Year Plan on 50 : 50 basis. At present, the Government of India pays only 25 per cent of the cost. In this connection, it is necessary to stress that not only should the staff be adequate, it must also be properly trained. In addition, it is necessary to ensure that the Registrar and his senior officers are men with vision, receive adequate training in co-operative work and remain in the department for a sufficiently long period of time.

Simple Laws and Procedures

27. The existing position in respect of the procedure and rules, is not at all satisfactory. The law must clearly provide for various measures of regulation, control, supervision, audit, etc. A good deal of the criticism that is directed towards the rigidity of the co-operative law or concentration of authority in the Registrar really applies to the manner in which the law is administered or procedures are followed by the co-operative department. In this respect, considerable improvement is both desirable and possible. It is necessary that in exercising the controls provided in the law, rules, etc., there should be the closest possible association with representative non-official co-operative organisations. Where sound organisations exist, some of the powers could also be delegated to them. In States where non-official organisations either do not exist or are weak, they must be created or strengthened. The ultimate object in this respect must be to delegate as many powers as possible to such non-official organisations and to exercise other powers in close consultation with them. Only then can the movement become a peoples' movement governed by the people.

28. The law, rules and procedures vary from State to State and it is, therefore, not possible to make any uniform recommendations. It is suggested that State Governments should consider the appointment of small committees of officials and non-officials. These committees should examine the whole question and submit detailed proposals to Government for consideration and action at an early date.

Channelling of Taccavi

29. As a rule, Government should not give loans apart from distress taccavi, to individuals. All assistance should be channelled through co-operative organisations. It is understood that in one or two districts in Bombay taccavi is at present being channelled in this manner. State Governments should examine this question and take necessary steps in this connection.

Co-operative Farming

30. The policy in respect of Co-operative Farming is to take such essential steps as will provide sound foundations for its development so that by the end of the Third Five Year Plan a substantial portion of agricultural land is cultivated on co-operative lines. The Standing Committee of the National Development Council, in September, 1957, suggested; (i) survey of existing co-operative farming societies with a view to selecting

those societies which should be developed further through the programme of co-operative experiments; (ii) during the next three years about 3,000 co-operative farming experiments should be carried out; and (iii) three regional centres on co-operative farming should be set up at the end of the year. These suggestions and the pattern of assistance are under consideration.

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