



**A STUDY ON DEVELOPMENT OF COOPERATIVE MOVEMENT AFTER
INDEPENDENCE**

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ABSTRACT

The cooperative sector is one of the main partners of economy; the cooperatives have more reach to the rural India, through their huge network of credit societies in the institutional credit structure. The cooperative sector has plays a key role in the economy of the nation. The cooperative covers almost cent percent villages. The place of cooperatives in Indian economy and its role in social and economic affairs has developed a new dimension with the beginning of the planning. India emphasized the process of planning stemmed partly from the urge of backwardness and partly from line which gave an force to achieve social justice, equality and a decent livelihood for all citizens, the promotion of cooperative thought of not merely as an extension of state action but as a step towards the realization of the best of the cooperative widespread prosperity.

The cooperatives which are the life blood of the economy and the mechanism for any development programs. The cooperative credit structure is serving the Indian society since 1904 and since then it has seen several ups and downs. Since independence the cooperative movement has recorded substantial progress. The emerging need of the economy in the new competitive and deregulated financial environment, cooperative institutions have re-oriented their policies by drawing up their prospective mission and strategy so as to make them globally competitive. This paper attempts to analyze the development of cooperative movement in planned economy. Empirical result shows development of cooperative movement in five year plan highly impressive.

KEYWORDS: Cooperative Movement, Economy, Five Year Plan, Development, Agricultural Credit

INTRODUCTION

Cooperation is as old as humanity and cooperation is older than the cooperative movement. The cooperative movement is only one example of human cooperation among others. The cooperative movement brought overall improvement in the economic condition of its members. Since independence Government and Reserve Bank of India have been taking an active interest. More than 60 percent of the credit needs of the farmers are met by the cooperative societies. The marketing and processing societies have helped members to buy their requirements cheaply and sell their agricultural produce at good prices.

It has also provided good storage facilities to the farmers. Indian economy is still predominated by rural part of the country in general and agriculture in particular. According to **E.R. Bowen**, “Cooperation is the universal instrument of creation”. The history of cooperative movement in India is about a century old. The movement was started in India with a view to encourage and promote thrift and mutual help for the development of persons of small means such as agriculturists, artisans and other segments of the society. It was also aimed at concentrating the efforts in releasing the exploited classes out of the clutches of the money lenders.

MEANING OF COOPERATIVE MOVEMENT

Cooperative movement explain as a “Voluntary movement of the people, carried out democratically by pooling together their resources or carrying on the given activity, with the purpose of achieving or securing certain benefits or advantage which given to people cannot get individually and with the purpose of promoting certain virtue and values such as self-help, mutual help and general goods of all.”

ORIGIN OF WORD COOPERATION

The **term cooperation** is derived from the **Latin word cooperari**, where the word **co** means ‘with’ and **operari** means ‘to work’. Thus, cooperation means **working together**. So those who want to work together with some common economic objective can form a society which is termed as “cooperative society”. It works on the principle of self-help as well as mutual help.

PRINCIPLES

Mr. Watkiw: “Cooperative principles are the ideas inherent in cooperation, which determine what is the mode of

Action”.

- Voluntary and Open Membership
- Democratic Member Control
- Member Economic Participation
- Autonomy and Independence
- Education, Training and Information
- Cooperation among Cooperatives
- Concern for Community

OBJECTIVES OF STUDY

- To understand the development of cooperative movement in five year plan.
- To assess the relative strength of cooperative movement during the period of planned economic.
- To understand the history, meaning, principles and significance of cooperatives.
- To identify the problems and offer suggestions for the improvement of the cooperative movement.

HYPOTHESIS OF STUDY

- The development of Cooperative Movement in Five Year Plans highly impressive.
- The Cooperative movement in India has the effective capacity of sustaining the rural economy.

SIGNIFICANCE / IMPORTANCE OF STUDY

The research study is significant to evaluate the contribution of Five Year Plans in the development of cooperatives. The present study is useful to the policy planners in their efforts to improve the working of the present system. It is useful to the academicians and students in their study of the present system.

SCOPE AND LIMITATION OF STUDY

The present study deals with the development of cooperative movement in Five Year Plans. This study is limited only to the cooperative movement only.

RESEARCH METHODOLOGY

The methodology adopted for study is mainly theoretical. An examining research design is followed in the present

Study.

METHODS OF DATA COLLECTION / SOURCES OF DATA

The study is mainly based on secondary data which is collected from Planning Commission's Reports. Other related information collected from journals, conference proceedings and websites.

COOPERATIVE MOVEMENT AFTER INDEPENDENCE

After India attained Independence in 1947, cooperative development received a boost, with cooperatives being given a vital role in the various plans formulated by the Planning Commission. Indian planners considered cooperation as an instrument of economic development particularly in the rural areas. India adopted a socialistic pattern and pursued the policy of a mixed economy with features of both capitalism and socialism. The Planning Commission which was established in 1950 set the social and economical targets based on equity and justice.

The First Five Year Plan (1951-56): outlined in detail the vision of the cooperative movement in India and the rationale for emphasizing Cooperatives and Panchayats as preferred organizations for economic and political development. It recognized cooperation as an instrument of planned economic action in democracy. The Plan emphasized the adoption of the cooperative method of organization to cover all aspects of community development. It provided for setting up of urban cooperative banks, industrial cooperatives of workers, consumer cooperatives, housing cooperatives, diffusion of knowledge through cooperative training and education and recommended that every government department follow the policy of building up cooperatives. In 1953, the Government of India and the Reserve Bank jointly constituted a Central Committee for Cooperative Training to establish necessary training facilities for cooperative personnel. The plan set for the provisions of cooperative credit thus; Short term loan Rs.100 crore, Medium term loans Rs.25 crore and Long term loan Rs.5 crore.

The Second Five-Year Plan (1956-1961): emphasized “building up a cooperative sector as part of a scheme of planned development” as being one of the central aims of National Policy. It aimed at enabling cooperatives to increasingly become the principal basis for organization of economic activity. The Plan drew up programmes of cooperative development based on the recommendations of the All India Rural Credit Survey Committee (AIRCS). It was envisaged that every family in a village should be a member of at least one cooperative society. Linking of credit and non-credit societies to provide better services to the farmers was also targeted. The Plan recommended the establishment of a National Agricultural Credit Long-term Operations Fund. The Industrial Policy Resolution of 1956 emphasized the need for State assistance to enterprises, organized on a cooperative basis for industrial and agricultural purposes, and “to build up a large and growing cooperative sector”. Cooperative marketing and processing of agricultural produce formed an important part of the Integrated Scheme of Cooperative Development in the Second Plan. About 1900 primary marketing societies were set up and State Marketing Federations were established in all the States, as well as the National Cooperative Marketing Federation at the Centre. A sum of Rs.52 crore was earmarked in the plan for the implementation of the schemes. Besides, the RBI was also provided money to strengthen the capital structure of cooperatives.

The Third Five Year Plan (1961-1969): stressed that “Cooperation should become, progressively, the principal basis of organization in branches of economic life, notably agriculture, minor irrigation, small industries and processing, marketing, distribution, rural electrification, housing and construction and provision of essential amenities for local communities. Even the medium and large industries and in transport an increasing range of activities can be undertaken on cooperative lines”. The Agricultural Refinance Corporation was set up in 1962 by the Government of India to provide long-term loans to cooperatives, through Central Land Mortgage Banks. In 1963, the National Cooperative Development Corporation (NCDC) was established as a statutory corporation by an Act of Parliament. The main provision in the Plan was to cover all the villages and 60 percent of the agricultural population by 1965-66; to revitalize Primary Agricultural Societies to make them economically viable, to develop Cooperative Marketing Processing and link credit with marketing; to develop non-credit cooperatives; to strengthen cooperative personnel at all levels; and to provide Rs.530 crore for short and medium term credit; and Rs.150 crore for long term credit during the plan period. A provision of Rs.80 crore was made for the development of cooperation.

The Fourth Five Year Plan (1969-1974): gave high priority to the re-organization of cooperatives to make cooperative short-term and medium-term structure viable. It also made necessary provisions to provide cooperatives with management subsidy and share capital contribution, as well as for the rehabilitation of Central Cooperative Banks. It also emphasized the need to orient policies in favour of small cultivators. The Mirdha Committee in 1965 laid down standards to determine the genuineness of cooperative societies and suggest measures to weed out non genuine societies; to review the existing cooperative laws and practices to eliminate vested interest. The recommendations of the Committee resulted in amendments in the cooperative legislation in most states, which destroyed the autonomous and democratic character of cooperatives.

The Fifth Five Year Plan (1974-1979): took note of the high level of over-dues. In its recommended strategy for cooperative development, the correction of regional imbalances and reorienting the cooperatives towards the under-privileged was to receive special attention. Based on the recommendations of an Expert Group appointed by the Planning Commission in 1972, structural reform of the cooperative set-up was envisaged. The Plan recommended the formulation of Farmers

Services Cooperative Societies as had been envisaged by the National Commission on Agriculture and stressed the need for professional management of cooperatives. The major objective of the Fifth Plan was to build up a storage and viable cooperative sector with special emphasis on the need of cultivators, workers and consumers. The cooperative development has four specific objectives, viz. to strengthen the network of agriculture cooperative credit, supply, marketing and processing so as to bring about agricultural development.

The Sixth Five Year Plan (1979-1985): emphasized the importance of cooperative efforts being more systematically directed towards ameliorating the economic conditions of the rural poor. The Plan recommended steps for re-organizing Primary Agricultural Credit Societies into strong and viable multipurpose units. It also suggested strengthening the linkages between consumer and marketing cooperatives. Consolidation of the role of Cooperative Federal Organizations, strengthening development of dairy, fishery and minor irrigation cooperatives, manpower development in small and medium cooperatives were some of the planned programmes. The National Bank for Agriculture and Rural Development (NABARD) Act was passed in 1981 and NABARD was set up to provide re-finance support to Cooperative Banks and to supplement the resources of Commercial Banks and Regional Rural Banks to enhance credit flow to the agriculture and rural sector. With the objective of introducing a comprehensive central legislation to facilitate the organization and functioning of genuine multi-state societies and to bring uniformity in their administration and management, the MSCS Act of 1984 was enacted.

The Seventh Five Year Plan (1985-1990): pointed out that while there had been all round progress in credit, poor recovery of loans and high level of overdues were matters of concern. The Plan recommended amongst others development of Primary Agricultural Credit Societies as multiple viable units; realignment of policies and procedures to expand flow of credit and ensure inputs and services particularly to weaker sections; special programmes for the North Eastern Region; strengthening of consumer cooperative movement in urban as well as rural areas and promoting professional management. For the agriculture and rural development the seventh plan provided Rs.22233 Crore (12.4 Percent of Plan outlay). The opening up of the economy in 1990, and the liberalized economic policies followed by the government since then, led to increasing pressures for various governments, state and central, to bring about changes that would provide cooperatives a level playing field to compete with the private sector.

The Eighth Five Year Plan (1992-97): emphasized the need to follow the Narsimham committee report and tried to make cooperative banking more strong. It was formulated when the country was passing through difficult circumstances, viz.-drastic curbs on imports, high rate of inflation and recession in industry. The Eighth Plan laid emphasis on building up the cooperative movement as a self-managed, self-regulated and self-reliant institutional set-up, by giving it more autonomy and democratizing the movement. It also spoke of enhancing the capability of cooperatives for improving economic activity and creating employment opportunities for small farmers, labourers, artisans, scheduled castes,

Scheduled tribes and women and emphasized development and training of cooperative functionaries in professional management.

The Ninth Five Year Plan (1997-2002): onwards, there has been no specific mention about cooperatives as a part of the Plan. The Multi-State Cooperative Societies (MSCS) Act, enacted in 1984, was modified in 2002, in keeping with the spirit of the Model Cooperatives Act. The Ninth Plan put a targeted annual growth rate of 4.7 percent, in order to achieve the objective of removing the

incidence of poverty and unemployment and ensuring food and nutritional security. The targeted growth rate of agricultural output was expected to reach at 3.82 percent per annum and that of agriculture at

4.5 Percent and cooperatives expected to contribute optimum level in sustaining economy. In 2002, the Government of India enunciated a National Cooperative Policy. The objective of the Policy is to facilitate an all-round development of cooperatives in the country. The policy promises to provide cooperatives with the necessary support, encouragement and assistance, to ensure their functioning as autonomous, self-reliant and democratically managed institutions, accountable to their members, and making a significant contribution to the national economy.

The Tenth Five Year Plan (2002-2007): to achieve high-targeted annual agricultural growth rate and export, massive expansion and up gradation of agricultural marketing, storage and distribution infrastructure are given priority. Facilities for packaging, grading, and certification of agricultural commodities and development of future agricultural markets would be given special attention with adequate funds. To nurse the rural cooperative credit system back to health, to ensure that the rural credit doubled over three years and that the coverage of small and marginal farmers by institutional lending was expanded substantially, the Government of India in August 2004 set up a Task Force to suggest an action plan for reviving rural cooperative credit institutions and legal measures necessary for facilitating this process. The Task Force, chaired by Prof. A. Vaidyanathan, recommended that any financial restructuring which did not address the root causes of the weaknesses of the system would not result in its sustained revival and would require legal measures.

The Eleventh Five Year Plan (2007-2012): During the Eleventh Five Year Plan many important schemes, especially in cooperative credit sector, computerization, human resource development and public awareness were formulated and implemented to facilitate the public in general, especially the farmers.

The Twelfth Five Year Plan (2012-2017) – Revitalization of PACS/LAMPS and ensuring their viability and profitability with a view to making them financially strong to provide greater assistance of rural credit to the farmers by increasing their loan business and increasing the resource base through mobilization of rural small savings. Encourage micro credit groups and women cooperatives to inculcate the habit of small savings in the rural areas as a sub system of cooperatives. The cooperative credit institutions are required to function as facilitators for linking these small groups and women cooperatives with credit institutions.

BENEFITS OF COOPERATIVES - WHY COOPERATIVE THRIVE?

The cooperative movement has been rendering useful services for the economic progress and well-being of the county. Some of such benefits are as under-

- **Easy Formation:** Procedures for registration of cooperative society is simple with nominal fees.
- **Democratic Management:** Each member enjoys an equal right to vote, and participation in decision-making process.
- **Limited Liability:** Liability of members is limited to the extent of unpaid shares held by them.

- **Open Membership:** Any person can become member by purchasing the shares of society.
- **Stability:** Continuity of cooperative society does not affected by death or insolvency of members.
- **Low Cost of Operation:** Since no salaries are paid to the office bearer and also enjoy various concessions and subsidies.
- **Tax Exemptions:** Cooperative society is exempted from income tax up to certain limit.
- **Economical Benefits:** They have played an important role in popularizing the use of various modern inputs such as fertilizers, improved seeds, new implements, pesticides; farmers are getting now better prices for their produce from these societies.

MAIN AREAS OF OPERATION OF COOPERATIVES IN INDIA

- Agricultural Credit.
- Agricultural supplies.
- Agricultural Marketing.
- Agricultural Processing.
- Industrial cooperatives
- Public Distribution of essential commodities
- Urban credit Cooperatives.
- Housing cooperatives

COOPERATIVE MOVEMENT AT A GLANCE

Cooperatives, in all spheres, today cover approximately 99 percent of Indian villages and 71 percent of total rural households in the country. Their contribution to the national economy may be seen as –

Cooperative Share in the Economy

Agricultural Credit Disbursed	18 Percent
Fertilizer Distributed	36 Percent
Production of Fertilizer	25 Percent
Sugar Produced	50 Percent
Milk Procurement to total Production	8 Percent
Yarn Production	22 Percent
Handlooms	54 Percent
Wheat Procurement	33 Percent
Fishermen Cooperatives	21 Percent
Storage Facilities (Village Level PACS)	64 Percent

SUMMARY / OBSERVATION OF STUDY (FINDINGS)

Since independence the cooperatives have assumed an important role in the socio-economic development of the rural, certain policy initiatives were taken to restore them. Although there has been spread of cooperatives in almost all the sectors of the economy. The growth of cooperatives in spite of the traditional areas like credit, i.e. processing, marketing, fertilizer distribution, consumers, housing, labor etc. much remain to be done. The share of the cooperative in sustaining rural economy must be increased. Benefits of various programmes and projects should be percolated to the rural economy, a large section of the Indian economy. The cooperative movement has been extended up to the national level in various sectors of the economy. It has rendered many useful services for the

economic improvement and the welfare of the rural and urban population. From the Eighth Plan onwards, cooperatives have found no mention in the Five Year Plans drawn up by the Planning Commission. It is important that due recognition is given to cooperatives as a third sector of the economy and its development, particularly in terms of its marginalized and weaker segments. Inclusion of a separate chapter on cooperatives as an important component of the plan documents would help build clarity and a vision for cooperative development. The cooperatives in India have made an all-round progress and their role in, and contribution agricultural progress has particularly been significant.

Problems (Weaknesses) of Cooperatives / Causes of Slow Progress

Despite rapid growth the overall progress of cooperative movement during 108 years of its existence is not very impressive.

- Internal and Structural weakness at primary level.
- Over-dependence on government for financial assistance.
- Restrictive provisions of cooperative law.
- Lack of professional management and lack of adequate infrastructure. Cooperatives still follow the traditional management techniques.
- Lack of proper policy support resulting to diminishing performance in mismanagement, inefficiency and corruption in the financing of cooperatives.
- The performance of cooperatives is not satisfactory. In spite of huge government grants cooperatives are not performing financially well.
- Excessive Government Control and Political Interference.
- Lack of Good Leadership. People are not well aware about the objectives of the movement.
- The cooperative movement has also suffered on account of limitations on its working, size of these societies has been very small and most of societies have been single purpose societies.
- The cooperative movement has suffered from inadequacy of trained personnel right from its inception.

Suggestions (Recommendations) for Improvement / Remedial Measures

- Accountability and transparency need to be brought in the implantation of the schemes.
- Enhancing the competitive strength in cooperatives by their merger and division, wherever necessary.
- Ensure active participation of members in their day-today business and de-listing or removing the inefficient or inactive members from membership.
- Federal organizations of cooperatives must give sufficient financial and other support to their constituent societies.
- Reform in cooperative laws.
- Establish professional cooperative management centers and practice human resource management.
- Political and Religious Neutrality and timely conduct of elections and audit.
- Strengthening information and database of Cooperatives.

CONCLUSIONS

Cooperation occupies an important place in the economy of the nation. Today, the cooperative movement has made its presence felt in almost all walks of human life such as credit, production, marketing, development of scheduled castes and scheduled tribes etc. Cooperative societies have been getting a lot of encouragement from the people and the cooperatives have grown big and played a unique role. The rural cooperatives have played a significant role in areas of credit and agricultural production. The cooperative movement brought overall improvement in the economic condition of its members. More than 60 percent of the credit needs of the farmers are met by the cooperative societies. The cooperative movement is both a theory of life and a system of business. It provides as a substitute for material assets, honesty and sense of moral obligation and keeps in view the moral rather than the material sanction. Cooperation had contributed in the success of economic planning. Government policies are implemented with the help of cooperative societies in rural areas. Through the cooperative societies government seeks public support and awareness.

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