

# A Historical Study of Co-Operative Movement in India

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**Abstract—** *Co-operative Societies is an autonomous association of people united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise. These co-operative societies are voluntary association that replaces capitalism with co-operation, listen to their members' needs, are non-discriminatory in nature, arrive at decisions through discussions and follow the ideals of self-help and mutual help. Co-operatives exist in sectors such as retail, banking, housing, marketing, agriculture, manufacturing, purchasing, employment and in other sectors. Some of the most renowned co-operatives in India are Amul, Shree Mahila Gruha Udyog (Lijjat Papad), KRIBHCO, and Indian Farmers Fertiliser Cooperative (IFFCO – which is also one of the largest co-operatives in the world). India being an agrarian economy laid the foundation of world's biggest cooperative movement in the world. According to Professor C. R. Fay, Co-operative is “an association for the purpose of joint trading, originating among the weak and conducted always in an unselfish spirit on such terms that all who are prepared to assume the duties of membership may share it's rewards in proportion to the degree in which they make use of the associations”. Co-operation is based on self help as well as mutual help. It is a joint enterprise of those, who are not financially strong and cannot stand on their own legs and therefore come together not with a view to getting profits but to overcome disability arising out of want of adequate financial resources and thus better their economic conditions. According to the Co-operative Societies Act of each state, a co-operative society registered within a State under the law of that state, is not allowed to operate in other states without the permission of the Government or Registrar of Co-operative Societies of that State. In case of multi-State co-operative society, it can operate in more than one State as a matter of right.*

**Index Terms-** *Autonomous, Association, Open Membership, Self Help, Mutual Help, Common Goal.*

## I. INTRODUCTION

For the convenience of study, the co-operative movement in India can be divided into two stages:

- Co-operative movement in pre-independence era
- Co-operative movement in post-independence era

• Co-operative movement in pre-independence era:  
During the pre-independence era, co-operative societies came into existence, when farmers of Poona and Ahmednagar spearheaded an agitation against the money lenders, who were charging exorbitant rates of interest for the loan given. Hence, British government came forward and passed three acts- the Deccan Agriculture Relief Act in the year 1879, the Land Improvement Loan Act, passed in the year 1883 and the Agriculturists Loan Act enacted in the year 1884. In India the idea of using co-operation for fighting rural indebtedness came from the suggestion of Mr. Fredric Nicholson, a Madras civilian, who after the studies of co-operative societies of Europe, especially of Germany, strongly recommended the establishment of co-operative credit societies in India. He strongly advocated that co-operative societies offered the solution for saving the farmer from the clutches of loan sharks. On the basis of his recommendations, the co-operative credit societies Act of 1904 was passed, with which, Co-operative movement came to accurate structure and shape. The Act allowed the formation of credit societies only. Any ten or more persons of the same village or of the same tribe or of the town might apply for forming a co-operative society. A distinction was made between rural and urban societies. In the case of rural societies, the liability was unlimited. To encourage the movement, the government granted some concessions and privileges to the societies, registered under the act, such as exemption from income tax, stamp duties and registration fees, priority over other creditors and free audit etc. The registrar of co-operative societies exercised the supervision and control over the movement. The Act gave a fillip to the co-operative societies, which began to develop rapidly beyond expectation. As the movement developed, need was felt for non-credit societies, which would deal with purchase and sale. There was also the need for central agencies to finance and control the primary credit societies. In 1919, co-operation became a provincial subject and the provinces were authorized to make their own co-operative laws under

the Montague-Chelmsford Reforms. This categorization carried on to Government of India Act, 1935. In 1942, Government of British India enacted the Multi - Unit Cooperative Societies Act, to cover Cooperative Societies with membership from more than one province.

- Co-operative Movement in post-Independence era  
With the independence, a different and a new form of government came to rule. It was the government of the people, by the people and for the people. The new government consisted of those luminaries who had struggled hard for the liberation of the country, politically as well as economically. It had immense resources as well as potential, what was required was only to guide the potentials so that maximum benefit could be obtained by exploiting country's vast economical resources. Accordingly the government adopted the developmental policies based on five-year plan and mixed economy. It was also felt that there was need for a conscientious drive to promote peoples voluntary participation in planning and implementation of all programmes, which were connected with the economic development, so that economic power is decentralized and economic development and social justice can take place simultaneously. To achieve these objectives and also to train the vast population, two thirds of which lived in villages, in the matters of self-government, the only course left upon was to adopt co-operatives.

India's first Prime Minister Pandit Jawaharlal Nehru had strong faith in the cooperative movement. In his speech in international seminar on cooperative leadership in South-East Asia he said "*my outlook at present is not the outlook of spreading the cooperative movement gradually, progressively, as it has been done. My outlook is to convulse India with the Cooperative Movement or rather with cooperation to make it, broadly speaking, the basic activity of India, in every village as well as elsewhere; and finally, indeed, to make the cooperative approach the common thinking of India. Therefore, the whole future of India really depends on the success of this approach of ours to these vast numbers, hundreds of millions of people*". Hence, after independence cooperatives became an integral part of Five-Year Plans. Today, the co-operative movement has grown and membership has increased, it has become more diversified, there has

been great deal of regional dispersal and there are numerous examples of co-operatives in world's landscape, where it has made spectacular achievements.

Different milestones of co-operative movements in India, could be narrated as follows:-

- In 1958, the National Development Council (NDC) had recommended a national policy on cooperatives and also for training of personnel's and setting up of Co-operative Marketing Societies.
- In 1984, Parliament of India enacted the Multi-State Cooperative Societies Act to remove the plethora of different laws governing the same types of societies.
- Government of India announced a National Policy on Co-operatives in 2002. The ultimate objective of the National Policy is to-
  - (a) Provide support for promotion and development of cooperatives
  - (b) Reduction of regional imbalances
  - (c) Strengthening of cooperative education, training and human resource development

National Policy on Cooperatives has been formulated in consultation with States/Union Territories. The objective of the National Policy is to facilitate all round development of the co-operatives in the country. Under this policy, co-operatives would be provided necessary support, encouragement and assistance, so as to ensure that they work as autonomous, self-reliant and democratically managed institutions accountable to their members and make a significant contribution to the national economy, particularly in areas which require people's participation and community efforts. This is all the more important in view of the fact that still a sizeable segment of the population in the country is below poverty line and the cooperatives are the only appropriate mechanism to lend support to this segment of the people. In order to provide greater functional autonomy to cooperatives and to reduce bureaucratic interference and to professionalism the management of these institutions, based on the recommendations of Ch. Brahm Prakash Committee and Mirdha Committee, the Multi-State Cooperative Societies Act, 2002 was enacted and came into force with effect from 19<sup>th</sup> August 2002 repealing the Multi-State

Cooperative Societies Act, 1984. Co-operation occupies an important place in the Indian economy. Perhaps no other country in the world, has witnessed the co-operative movement as large and as diverse as India. There is almost no sector left untouched by the co-operative movement.

The role of co-operatives in the development of the country was identified, development of co-operatives became a matter of state policy. Every state government had the Department of Co-operation in which the Registrar of Co-operative Societies was the main functionary. Several policy level as well as administrative and institutional changes was brought in. New laws and rules were enacted and supportive infrastructures were created for the purpose of registration, supervision and inspection of co-operative societies, in other words, for close monitoring of the development of co-operative societies within the state. In search of co-operative identity, a floodgate was opened allowing formation of co-operative societies. The government support and recognition flowed and the mushrooming of co-operative societies started all over the country. The co-operative societies enjoyed preferential treatment in terms of getting license for manufacturing, distribution of products, marketing of essential consumer articles etc.

The National Agricultural Co-operative Marketing Federation (NAFED) has over 5000 marketing societies. These societies operate at local wholesale market level and handle agricultural produce. Thus the farmers have a market for their produce right at their doorstep. A market, which assures them reasonable returns and guaranteed payments. All these Federations are acting like the spokesmen of member co-operatives and are doing liaisoning work between the co-operatives and the Government.

- Different types of Co-operative Societies in India:
  1. Consumer Cooperative Society: These societies are primarily for consumers, who wish to buy household goods at lower prices. The co-operative society buys goods or products in bulk amounts directly from the producer on wholesale rates and sells them to the members, thus eliminating the need for a middleman. The purchased goods are sold to members and non-members in cash. Capital is raised by issuing low

denominational shares to the members who also get dividends on the shares. Consumer co-operatives do not use advertising but rely on word-of-mouth publicity. They ensure a regular supply of goods at reasonable rates. They set up stores or outlets to sell goods and avail huge trade discounts from producers.

2. Producer Cooperative Society: These are also known as industrial co-operatives, these types of societies look out for the small-scale producers in a cut-throat market scenario. Production and distribution are handled from within the co-operative. These producers could be farmers, herbal medicine producers, organic produce sellers, handicraft or handloom producers, artisans, raw material suppliers, ingredient manufacturers, tools and processing units and so on. The inputs needed for the manufacturing or producing the goods are obtained by the members directly, supplied to the producers and the final output is distributed to the buyers / non-members without a middlemen. Producers pool in their resources, increase production volumes and minimise risk in the face of the competitive capitalistic markets. Best examples are dairy, fish farmers, weavers and artisans and tribal co-operatives.

3. Co-operative Credit Societies: These are urban and rural financial societies, which provide loans to members at lesser rates of interest, protecting the members from massive debts to traditional money lending agencies. They serve a basic but highly personalised banking role in a sense. They have deposit schemes in forms of saving accounts, fixed deposits, recurring deposits, pension schemes, etc. The money procured is then given on loans to members as personal loans, agricultural loans, housing or vehicle loan, etc. These societies are regularly aided by state and national government subsidies and funding. Some examples are Teachers Co-op Credit society, State Electric Board Employee Co-op Credit Society.

4. Marketing Cooperative Society: For the benefit of farmers, these societies function to market the produce profitably at the best possible prices, increase the bargaining strength of the farmers and protect them from the trials of individual selling and market exploitation. The profits are distributed on the basis of the contribution of produce made. These co-operative societies also educate the farmers on market prices, stabilizes supply against demand, help them to get loans and help with grading, pooling, processing and procurement of produce and provide safe storage and

reliable transportation facilities. Some good examples are Milk Co-operatives in Gujarat, Maha Grape cultivators co-operative societies, Cotton Marketing Co-operatives.

5. Housing Cooperative Society: Housing co-operative societies are a type of society which provides affordable housing to the middle and low-income groups. One becomes a member by purchasing shares in the co-operative. Instead of owning the real estate, the members own a share in the entire corporation, which in turn gives them a house to reside in. Such societies are commonly found in urban and semi-urban cities. They construct the residences or flats and provide them to the members to live in and collect the money in installments. In other cases, they provide the land to the members who themselves construct their own residences.

6. Co-operative Farming Societies: The financially challenged farmer may not be able to maximize his agricultural output individually and earn optimum profits. Farming co-operatives are a way for farmers to retain the right to their land, yet pool together and consolidate land, livestock and equipment while earning a share in the total output as per the contribution made. In farming co-operatives, members co-operate for pre-sowing, seeds, fertilisers and equipment and joint selling, but cultivate the land separately. In joint farming, farmers even pool in the land as well. Co-operative tenant farming is the type, in which the society leases the land to the farmers and collects the rent. In collective farming co-operatives, farmers are members for life and cannot remove their land but can transfer the land rights to another.

- Importance of Co-operatives in India:

Co-operatives play an important role as they are an important contributor to economic equality and welfare in India, as it is an organization for the poor, marginalized, illiterate and unskilled people. Co-operative societies improve the standard of living of the weaker and middle-income sectors of the society as an agent of change and reformation. It provides agricultural credits and funds, where state and private sectors have not been able to do very much. It provides strategic inputs for the agricultural-sector, consumer societies meet their consumption requirements at concessional rates. It helps to overcome the constraints of agricultural development.

They provide an economic model with a higher level of entrepreneurial or social sustainability and often work as pressure groups to voice the views of its members in a larger market. Being a part of a co-operatives improves the creditworthiness as a producer as well as a consumer. The membership is open and easy to join, ensure equitable distribution of profits, prioritize welfare over individual profits, are stable in their functioning and output and receive a substantial amount of government support. The spirit of co-operation and unity in achieving common interests is the driving force behind co-operatives.

These co-operative societies have many advantages. They are:-

- It increases the collective bargaining power.
- These co-operative societies also provide credit facilities to the farmers out of their own fund. Hence prevents distress sales.
- Co-operative societies also provides storage facilities to the farmers so that they may store the produce and sell it at some future date when prices increases.
- These co-operative societies also provides necessary information to farmers.
- Co-operative societies also supply essential inputs and some consumer goods to the members at a reasonable prices.

Hence in order to develop such co-operative societies – The government established “The National co-operative Development Corporation (NCDC)” in the year 1963.

## CONCLUSION

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contribution in terms of poverty eradication and upliftment of poor is not upto the mark. The growth for industrial co-operative societies has been more negligible. There are lots of problems and constraints in this regard. The changing global scenario demands changes in the co-operative societies structure but the excessive control by the government and outdated rules and regulations restrict the co-operative societies to become dynamic.

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