

History Behind Co-operative Movement

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The Indian cooperative movement was initiated by the government. It spread and diversified with the encouragement and support of the government. Its present condition is also to a great extent because of the intrusive involvement of, and interference by the government. This chapter provides a brief review of the various phases of the evolution of cooperatives in general, and of credit cooperatives in particular, over the past century in India and Bihar.

The First Phase: 1900-1930

By the beginning of the 20th Century, officials of the colonial government perceived the Indian farmers' dependence on usurious moneylenders to be a major cause of their indebtedness and poverty. At that time the cooperative movement had become well established in Europe and achieved remarkable success there. Convinced that the cooperative movement offered the best means of liberating Indian farmers from the crushing burden of debt and the tyranny of moneylenders, Indian officials began to take active interest in promoting credit cooperatives in the country. Societies were organized for the first time in the closing years of the 19th Century.

The passage of the Cooperative Credit Societies Act in 1904, and the enactment of a more comprehensive Cooperative Societies Act in 1912 marked the beginning of a government policy of active encouragement and promotion of cooperatives. This thinking gained wide acceptance

and was adopted as a policy by provincial governments and thereafter, "cooperation" became a provincial subject in 1919. The persistence of government interest in cooperatives and the importance attached to them was reflected in the appointment of three different Committees to review their growth and functioning.

The classic study by Frederic Nicholson, followed by the Edward Law Committee on Cooperative Legislation, confirmed and reiterated the need for the State to actively promote cooperatives. A decade later, the Maclagan Committee (1915) advocated that "there should be one cooperative for every village and every village should be covered by a cooperative". The Royal Commission on Agriculture in India, which submitted its report in 1928, suggested among other things, that the cooperative movement should continue to focus on expanding rural credit and that the State should patronise cooperatives and protect the sector.

It was the Royal Commission which made the observation "if cooperation fails, there will fail the best hope of rural India". By this time, the State was already deeply involved in promoting agricultural credit cooperatives. The number of societies reached impressive proportions and diversified their activities well beyond agricultural credit. Debates centred on whether or not each village should have a cooperative and whether there should be a single purpose or a multipurpose cooperative at the village level.

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The Second Phase: 1930 - 1950

The major development during this phase was the role played by the Reserve Bank of India (RBI). The Reserve Bank's concern and involvement in the sphere of rural credit stemmed from its very statute of incorporation. Specific provisions were made in the Reserve Bank of India Act, 1934 both for the establishment of an Agricultural Credit Department (ACD) in the bank and for extending refinance facilities to the cooperative credit system. Emphasis was laid on setting up, strengthening and promoting financially viable provincial 12 cooperative banks, central cooperative banks, marketing societies and primary agricultural credit societies in each province. The RBI, since 1942, also started extending credit facilities to provincial cooperative banks for seasonal agricultural operations and marketing of crops.

The Government policy during this phase was not as pro-active on promoting cooperatives as before. There seemed to be a policy lull until 1945, when the Agricultural Finance Sub-committee and the Cooperative Planning Committee were set up by the Government of India (GoI). By then, there already were signs of sickness in the Indian rural cooperative movement. A large number of cooperatives were found to be saddled with the problem of frozen assets, because of heavy over dues in repayment. The Sub-committee's recommendation that the frozen assets of the members of such cooperatives be liquidated, by adjusting the claims of the society to the repaying capacity of the members, marked the beginning of State interference in the management of cooperatives and the consequent erosion in the credit discipline of the members. The Cooperative Planning Committee identified the small size of the primary cooperative as the principal cause of

failure. It also advocated State protection to the cooperative sector from competition.

The Third Phase: 1950 – 1990

After Independence, rapid and equitable economic development became the central focus of State policy. Cooperatives in general, and rural financial cooperatives in particular, were once again on centre stage. Taking cognisance of the weakness of the cooperative system, the All India Rural Credit Survey (AIRCS) not only recommended State partnership in terms of equity, but also partnership in terms of governance and management. Other recommendations included linking credit and marketing cooperatives and enlarging their area of operation. The recommendations of the AIRCS stopped just short of 13 the Government running the cooperatives, and paved the way for its direct intrusion in the governance and management of cooperatives.

State policy came to be premised on the view that the government should ensure adequate supply of cheap institutional credit to rural areas through cooperatives. The thinking then was that if the institutions that were meant to deliver such cheap institutional credit failed, there either had to be reorganisation of existing

institutions, or creation of new types of institutions. The Hazari Committee recommended integration of short term and long term structures. The Bawa Committee (1971) recommended setting up Large Multi-purpose Cooperatives in tribal areas. The National Commission on Agriculture (1976) recommended setting up Farmers Service Cooperative Societies with the active collaboration of the nationalised banks.

NABARD was created on the recommendation of the CRAFTCARD (Sivaraman Committee 1981). The State's

heightened interest in and concern for the performance of cooperatives in the country was obvious. The focus, however, was on expanding and reorganising the State supported structures, without addressing the tasks of restoring and strengthening autonomy, mutual help and selfgovernance that are the cornerstones of genuine cooperatives.

The State gave primacy to cooperatives as the sole means of delivering institutional credit to rural areas and injected large and increasing amounts of funds directly. Upper tier cooperative banks were encouraged to accept public deposits and borrow from other financial institutions. However, the system was soon found to be burdened by growing over dues. In keeping with the national priority of financing the rural sector adequately, the involvement of commercial banks was first suggested as a social control measure. The involvement of commercial banks was thereafter institutionalized through the nationalisation of major commercial banks in 1969.

During the post-nationalisation period, there was an unprecedented penetration of commercial banks in the rural sector. This trend, however, was accompanied by rigid policy directives right down to the micro level on cost of credit, purposes, categories of borrowers, geographical areas, etc.

As the financial involvement of the government in cooperatives increased, its interference in all aspects of the functioning of cooperatives also increased. The consequent interference with the functioning of the cooperative institutions, often compelling them to compromise on the usual norms for credit worthiness, ultimately began to affect the quality of the portfolio of the cooperatives.

Instead of tackling the root cause of their weaknesses, the State took responsibility for

strengthening the institutions, by infusing additional capital and “professional” workforce. Both the State and the workforce then began to behave like “patrons”, rather than as providers of financial services. Whenever any professional organization is in trouble, it usually finds its own solution by re-negotiating the terms with its financiers and re-visiting its operating strategies.

However, in the case of the rural financial institutions, the State has always provided a “solution”, irrespective of the need of the recipient organisation, thereby donning the role of a “patron”.

In due course, political expediency also led to laxity in ensuring quality of credit and its repayment. The Government of India’s 1989 scheme for writing off loans of farmers, greatly aggravated the already weak credit discipline in the cooperative system and led to the erosion of its financial health. It also set up an unhealthy precedent and spawned a series of schemes by the State Governments, announcing waivers of various magnitudes, ranging from interest write off to partial loan write-offs. The competitive populism adopted by the 15 political class has severely impaired the credibility and health of the cooperative credit structure.

The State has used co-operatives to channel its development schemes, particularly subsidy-based programmes for the poor. As these institutions have a wide reach in the rural areas and also deal with finances, the choice was natural. The trend, however, also made cooperatives a conduit for distributing political patronage. This and the sheer magnitude of resources and benefits channelled through the societies, makes control of decision-making and management attractive to parties in power, for accommodating their members, to influence decisions through directives,

and for individual politicians to be on the management boards of the cooperatives.

Concerns about these trends and the need to overcome them began to be voiced around this time. The Agriculture Credit Review Committee (Khusro Committee, 1989) for the first time, talked of the importance of encouraging members' thrift and savings for the cooperatives. It also emphasised the need for better business planning at the local level and for strategies to enable cooperatives to be self-sustaining.

To this end, the Committee was also in favour of serving non-members, if it made business sense. In a sense, there were larger macro economic changes on the anvil in the economy. The 1990s witnessed more concerted attempts both by the government and by non-official organisations and cooperators, to explore ways to revitalise the cooperatives.

The Fourth Phase: 1990s and onwards

During the last fifteen years, there has been an increasing realisation of the destructive effects of intrusive State patronage, politicisation, and the consequent impairment of the role of cooperatives in general, and of credit cooperatives in particular, leading to a quest for reviving and revitalising the cooperative movement.

Several Committees (notably those headed by Chaudhry Brahm Perkash, Jagdish Capoor, Vikhe Patil and V S Vyas) were set up to suggest cooperative sector reforms during this period. The Brahm Perkash Committee emphasised the need to make cooperatives self-reliant, autonomous and fully democratic institutions and proposed a Model Law. Subsequent Committees have all endorsed this recommendation and strongly supported replacing existing laws with the proposed Model Law. They have also recommended revamping and streamlining the regulation and supervision

mechanism, introducing prudential norms and bringing cooperative banks fully under the ambit of the Banking Regulation Act, 1949. To facilitate the implementation of these reforms, they proposed that governments provide viable cooperative credit institutions with financial assistance

for recapitalisation.

Progress in implementing these suggestions has been very tardy because of the States' unwillingness to share in costs and their reluctance to dilute their powers and to cede regulatory powers to the Reserve Bank of India (RBI). The passage of the Mutually Aided Cooperative Societies Act by the Andhra Pradesh government in 1995, however, marked a significant step towards reform. Following the example of Andhra Pradesh, eight other States (viz., Bihar, Chhattisgarh, Jammu and Kashmir, Jharkhand, Karnataka, Madhya Pradesh, Orissa and Uttaranchal) have passed similar legislation to govern and regulate mutually aided cooperatives.

2.20 In all cases these new laws provide for cooperatives to be democratic, self-reliant and member-centric, without any State involvement or financial support. They provide for cooperatives registered under the old law to migrate to the new Act. The old Acts were not repealed, nor was there any serious effort to encourage and facilitate the conversion of old cooperatives to come within the purview of the new Act. Most existing cooperatives, therefore, continued to adhere to the old law.

The new law, however, did lead to the emergence of a "new generation autonomous financial cooperatives", albeit slowly and unevenly across the country. While the number of cooperatives registered under the new liberal Act

is slowly picking up, the conversion from the old law to the new Act has largely been in the arena of commodity cooperatives. The reason for the slow pace at which both credit cooperatives and the primary agricultural credit societies (PACS) are adopting the new law is largely because they are not eligible for refinance under the existing legal and structural arrangements.

As will be evident from the next chapter, these developments have not made much of an impact on the way cooperatives function. The movement has continued to deteriorate and reached the point that necessitated the appointment of the present Task Force, which has been entrusted with the task of coming up with an implementable action plan for carrying the reforms forward.

Historical Background of Bihar:

Bihar is associated with failure. It appears that it has failed on every front - economic, political and cultural. This paper argues that the failure of Bihar is a failure of certain model of liberal democracy, including the potential left liberal democracy. The poor in Bihar are not significantly worse off than the poor elsewhere as compared to the middle and rich castes/classes. However they are waging a much bigger struggle in coping with their situation. The struggle of people of Bihar has thrown up issues of crisis of Marxism/Socialism in terms of caste, gender, migrants and environment. The struggle of people of Bihar is also throwing up alternative forms of struggle and cooperation, which can contribute to the development of a new model of socialism. The failure of Bihar is more a failure of scholars, media commentators and left wing politicians and activists in recognising this reality.

The May 2004 parliamentary election results have shown that the debacle that Mr.

Naidu, Mr. S. M. Krishna and the NDA government faced was due to the failure of their development model.

Social activists have been criticising the development model, but they have no praise for a place like Bihar where the development model has already failed. It is like criticising the education system, but no one praises a child who has failed! "If I were to be punished for the sins I commit, then I should be rewarded for not giving in to the temptation!"

Much of my understanding about Bihar (including the present day Jharkhand) I owe to late Dr. Arvind Narayan Das. I take this opportunity to pay my humble tribute to his memory.

For the purpose of this article the word Bihar includes Jharkhand.

Bihar is normally associated with failure. It appears to have failed on every front - economic, political and cultural. All the traditional economic development indicators as well as the newer human development indices tend to show this failure. Articulate Biharis themselves talk about it, often contrasting with the past glory of Bihar.

Left wing commentators point out the tradition of protest and struggle. Bihar played a leading role in the formation of Kisan Sabha. After independence Bihar was the first state to have a land reforms act. In the Bhoodan movement again Bihar had a leading position. In the Naxalite movement only Bihar and Andhra Pradesh have significant presence. The Jharkhand movement is the biggest ethnic cum regional movement. Even in the offbeat left movement A.K.Roy's trade union movement in Dhanbad was quite unique. Yet, these comments are often coupled with a melancholy statement that it has all failed.

The poor in Bihar are not significantly worse off than the poor in M. P., U. P. and Rajasthan. Large areas of Orissa, Maharashtra and A. P. also have similar situation. Data about education, health care, and atrocities on women, dalit and tribals are comparable. Yet it is Bihar that is singled out as a model of failure. Why?

One obvious answer is that the middle class and the rich in Bihar do not feel comfortable as they do in other states. It is their legitimacy to rule that is threatened. Hence the cry there is no government in Bihar. In short it is the legitimisation crisis of the ruling class. What has failed in Bihar is a certain kind of bourgeois development and a certain kind of government and state that has been held as a model. This includes the left democratic models too.

The people of Bihar have not failed in participating in these development processes, or in protesting against it or even creating newer alternatives. In this century they have cleared jungle lands for agriculture and mining. Capitalist agriculture has developed in several large areas of Bihar. The working class in Bihar has worked in agriculture, mines and industries both in Bihar and outside Bihar including overseas plantation.

In their protest movements the people of Bihar have taken part in all forms of traditional left and ultra left movements at significant levels. That these have not led to 'successes' of the kind in West Bengal or in Kerala is a historical fact and has its historical reasons that have been well explored and argued by scholars.

What is not argued is that to look for this kind of success itself is wrong. Every latecomer social group in capitalist development has a different response and they give rise to a different kind of 'socialism'. So what are these different kinds of responses?

In the last few years there is a general talk of failure or crisis of Marxism. In India the issues generally raised are caste, gender, ethnicity, regionalism/federalism and ecology.

In Bihar the fat left or Naxalite movement is not just a breakaway group from the traditional left. There was hardly any CPI (M) presence in Bihar. And the CPI remained intact during the Naxalite upsurge. The Naxalite in Bihar inherited the socialist movement with its emphases on caste and oppressive social structure. Thus it has articulated the caste question in left wing politics both theoretically and in practice. We hear this articulation more strongly in Maharashtra due to Phule-Ambedkar Tradition. Bihar has no such bourgeois liberal advocate of the issue. Here the advocacy is more radical (and hence ignored?).

Bihar is the only state, which has hosted the All India Women's Conference for the second time. In the Patna conference the issue of class/caste within the women's movement figured very strongly, particularly on the issue of right to property. The Ranchi conference threw up the ethnic issue within the women's movement and feminist issues within the ethnic struggle. In many women's conferences women from Bihar felt that the condition of women in other states is much worse than their own. This includes Kerala. The official statistics of crime against women also shows that Bihar is way down, 18 in ranking, that is, almost all the major Indian states are worse if. Only North East India is better.

The Jharkhand movement is a composite of several movements. Like other regional movement it combines ethnic issues with the issues of internal colony. However the ethnic issue is alive and separate as can be seen from the leadership as well as the kind of ethnic energy the movement has. In addition the issue of tribals as peasant and

tribals as proletariat has also figured very strongly in Dhanbad and Singhbhum district. Finally the environment issue, the relation of people and control of natural resources and the issue of big dams have also figured.

This brings us to the issues of ecology. Bihar is the only place where an anti dam movement succeeded in stopping the Koel-Karo project. When tribals from Koel Karo visited Bargi dam, the first dam on Narmada, they were aghast. "How did you let this happen?" they asked the NBA activists. 'How could they build with your protests?' The struggle against Subernrekha dam and the struggle of dam ousters have also been partially successful. The north Bihar region perennially suffers from floods and ill-conceived embankment and others flood control programmes. Every year about 4 lakh people migrate due to floods. The struggle against these policies has been going on for decades. It also represents one of the best-researched struggles by activists. What emerges from the above is that their struggles have 'failed' in not allowing the hegemony of bourgeois liberal issues and leadership of the movement. Instead it has articulated and sharpened the differentiation within the movement.

Everywhere there is a cry that there is no government in Bihar and some even says that the state has ceased to exist. There is anarchy! What is surprising is that anarchy has not been considered in a positive way. It reminds me of Brecht's poem about government in crisis, in which he wonders how the farmers will plough the land and mothers feed the babies since the government is in crisis. We fail to see that the people of Bihar are alive, eating, working and participating in full human cultural life. They are also protesting, struggling and migrating. As Laloo Prasad Yadav

said "I want to ask Mr. Chandra Babu Naidu, 'OK, you have video conferences and in Patna even telephones don't work. But why is it that peasants are committing suicide in Andhra Pradesh, whereas in Bihar no peasant has committed suicide.'" One may also add that in Bihar no encounter murders are committed by the police. But more importantly, they have devised strategies to cope with the present difficult times with a genius of their own. Thus public and state transport is running without salaries for more than 18 months. How? It is co-operation between the people and the union of transport workers that is making it possible. Schools are running with teachers collecting their salaries from their pupils in the form of tuition fees. Post offices, railways and telephones are actually functioning. But more to the point is that the migrant workers are able to send moneys home. The informal sector of the economy is taking care of the needs of the people.

So what is being argued is that people of Bihar are coping with the situation in a viable fashion. Secondly they are throwing up new forms of organisation and methods in doing so. Struggle and co-operation are the key words. So why is it that we do not see this or see a positive future? I would not dwell too much on the class bias of the observers. It is there. But surely we can try to go beyond that. We are talking of a failure of a certain kind of socialist model. Not only it is failing where it appeared successful until recently. It is also not allowing us to see the possible newer models of socialism.

The 20th Century has been dominated by the theories of Marx, Darwin and Freud. It has also been dominated by the revolution of Soviet Union, China, Cuba and Vietnam. Their 'successes' have blinded us from looking at their weaknesses. It has not allowed us to look at the

possible 'truths' on the side of those who have been defeated within the movement.

An important aspect of this is that we have looked more at the struggle aspect (within human psyche, in society and with nature) and neglected to look at co-operation. For arriving at a concept of socialism we will have to correct this balance. This socialism will be more like 'an egalitarian, decentralised human society living in harmony with nature'. However we cannot be revivalists and think of the noble savage. Any vision of future society must combine the idea of sovereignty of the individual within a co-operative society. To arrive at this we will have to look into the 'failure' within the movement, both in theory and practice.

Conclusion:

Thus in the historical experience of the theory, we have to look at the possible truths on the side of those who 'lost' or failed in the past. These will be anarchist traditions, Rosa Luxembour's Critique, Trotsky and various opposition groups in Russia, China, Vietnam and Cuba. Nearer at home we have a range of left wing experience outside the 'Stalinist' Tradition of CPI, M, & ML. There are also socialist and militant Gandhian traditions. This should enable us to look more closely at the current movements where people's energies are - both in Bihar and outside Bihar. In Bihar there are issues thrown up within the struggle, such as caste, gender and environment. There are also movements of dam oustees, migrant labour, ethnic and regional movement. Then there are emerging movements of struggle and co-operation. All these 'failures' of Bihar will contribute to the development of a new model of socialism for the 21st Century. Therein lays the importance of the failure of Bihar.



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