

AGRICULTURAL COOPERATION, FINANCE AND BUSINESS MANAGEMENT

AGRICULTURAL CO-OPERATION

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Introduction

The word "cooperation" literally designates the association of a number of people of small or limited means who organize themselves for self-help and mutual benefit from an enterprise. Cooperation in this context is a joint enterprise of those who are not financially strong and can not survive in competitive and monopolistic market on their own and, therefore, come

together to overcome the problem of inadequate financial resources and individual incapacities to uplift their economic conditions primarily through mutual and joint effort. In contrast to the assembly of profit seekers in any private institution, the cooperative organization emerges through voluntary association of financially constrained individuals for the sake of their self-help through mutual help without any desire to enrich themselves by exploiting others. It is the inherent potential of unique economic gains of such an approach of mutual and selfless cooperation that it has attained the status of a cooperative movement for the uplift of Indian economy. A cooperative does not aim to earn benefit like other type of organizations but is only to render service to its members. A discussion on agricultural cooperation in this context is purposely aimed to highlight the relevance, current state of operation and future prospects of such a cooperation based movement for the betterment of agriculture and farming community of the country.

Signification of cooperation to Indian agriculture

As per the latest figures more than 75 per cent of India's population lives in rural areas, majority of which depends on agriculture for its livelihood. Indian agriculture is typically characterized with small and medium sized holdings, large number of agricultural workers spread over a large area, low income generation and low savings as a result of which the farmers look upon agriculture not as business but only as a way of life. Green Revolution during mid-1960's increased food production through the introduction of improved seeds, fertilizers, irrigation, farm mechanization, etc. all of which involve substantial financial investment that was ensured through both public support as well as personal interest of farmers. The compelling requirements of national food security and economic well being of farming community require further increase in production and productivity per unit area which is bound to invite still higher investment in agriculture. However, the economic status of a large majority of our farming community is not financially sound to make such investments. The farmer requires credit which drags him to exploitation of money lenders who charge exorbitant rates of interest. The adoption of principles of 'Cooperation' is the only solution for the progress of this type of agriculture and elimination of rural indebtedness in the country.

Cooperation was introduced in India in the beginning of twentieth century primarily for the supply of credit to agriculture. The basic objective of the cooperative movement in India was to eradicate local money lenders who usually exploit the farmers by charging unreasonable rates of interest. Agricultural credit societies were established with the promulgation of Cooperative Credit Societies Act 1904. In the beginning only small societies covering generally one each village were considered to be most suitable for Indian conditions. But soon it was felt that on account of small business and limited funds these societies could not effectively serve the needs of members. The cooperative structure has thus suitably been expanded to strengthen the facility of credit in the form of large societies and cooperative banking especially through supply of inputs like seed, fertilizer, weedicides, pesticides, etc.

It is now obvious that apart from easy availability of credit, the adoption of mechanization and efficient marketing of agricultural produce is a serious handicap of Indian agriculture. The cooperative societies have great relevance to provide credit, to ensure availability of farm machinery on contract basis, consolidation of small farming units through contract farming and joint marketing of farm produce in distant markets to draw maximum economic gains from farming. On account of inadequate storage facility and financial liabilities no individual farmer can hold back his farm produce to wait for remunerative price of his produce.

Cooperative societies can help farmers with such a facility at affordable cost and ensure better economic returns. In the current phase of increasing relevance of agro-processing and value addition to agricultural produce, cooperation becomes the only hope to wean the farmers away from the practice of distress selling of precious farm produce so that higher income can be realized through sale of processed products. Simultaneously, the agro-processing units will provide the additional benefit of gaining rural employment. In addition to such obvious or direct involvement in agriculture, the cooperative societies have the potential to bring around social change in rural areas.

A substantial proportion of farmers' credit needs are now met by cooperative societies. The co-operative societies have led to the use of better farming methods such as the use of improved seeds, fertilizers, etc. The marketing and processing societies have helped members to buy their requirements cheaply and sell their agricultural produce at acceptable prices. It has also provided good storage facilities to the farmers to wait for appropriate time for higher prices. The non-credit societies, like the housing co-operative societies, the consumers' co-operative societies, etc. have helped their members to raise their economic conditions and have saved them from the exploitation by powerful groups. Cooperatives have very well served in the past and have great relevance to extend support to agricultural production in terms of provision of credit, input delivery and processing and marketing of agricultural produce to ensure adequate returns to farmers.

Definition of co-operation

It is difficult to search out a clear-cut definition of cooperation but some Cooperators have tried to define it in the context of circumstances in which the movement was studied by them. Mr. C.R. Fay defined a cooperative society as "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 its rewards in proportion to the degree in which they make use of the association." Late Shri V.L. Mehta preferred to express its non-profit and selfless characteristics by describing cooperation as voluntary association of individuals having common needs who combine towards the achievement of common economic needs." In a similar tone, Dr K.N. Katju asserted that "Cooperation is self-help as well as mutual help. It is a joint enterprise of those who are not financially strong and can not 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 condition." The most recognized definition, for our purposes, is that of Mr. H. Calvert who defined cooperation "as a form of organization wherein persons voluntarily associate together as human beings on a basis of equality, for the promotion of the economic interests of themselves" According to I.L.O, "A Cooperative is an association of persons, usually of limited means, who have voluntarily joined together to achieve a common economic end through the formation of a democratically controlled business organization, making equitable contributions to the capital required and accepting a fair share of the risks and benefits of the undertaking."

Objectives

The basic objective of cooperation is to provide services through self-help and mutual help which eliminates exploitation of consumer by trader, the workers by the employer, the borrower by the lender and tenant by landlord.

Principles of co-operation

The first to state the co-operative principles were the Rochdale Pioneers. The principles include: open membership; democratic control; limited interest on capital; distribution of surplus to members in proportion to their transactions; political and religious neutrality; cash trading; and promotion of education. But these principles were formulated mostly from the point of view of consumers co-operatives whereas cooperative movement is now working in the context of wide range of socio-economic conditions operating in various countries. The International Co-operation Alliance, on the request of the International Co-operative Congress held at Bournemouth in 1963, appointed a Commission to formulate the fundamental principles of co-operation. The Commission which was headed by Prof. D.G. Karve, recommended that the following should be considered as essential for genuine and effective co-operative practice.

1. Voluntary and open membership;
2. Democratic control;
3. Limited interest on share capital;
4. Patronage dividend;
5. Promotion of education; and
6. Mutuality

Voluntary and open membership

Co-operative institution is essentially a voluntary organization and there is no compulsion on any one to join a co-operative society or having once joined it to continue as such. While the society should follow the principle of open membership, there should be no objection to its prescribing certain qualifications. Similarly, some restrictions can be imposed on a person withdrawing from membership.

Democratic Administration

The management of this organization is fully democratic where all members are treated equal for voting and participation in decisions affecting their societies. The individuals are not distinguished on the basis of property and status. It is now fully recognized that supreme authority in a co-operative society vests in its general body of members.

Limited interest on share capital & patronage dividend

A co-operative society is organized to enable the members improve their economic condition by helping them in their business. This, however, does not mean that the societies should run on “no profit – no loss” basis. Efficiently managed society will, of necessity, earn some profit to meet unforeseen losses, if any, at a later stage. It has become an accepted principle of co-operation that the share capital given by the members should receive only a limited return.

Promotion of Education

The Commission remarked that “all co-operative societies should make provision for the education of their members, officers and employees and the general public in the principles and techniques of co-operation, both economic and democratic.” In order to secure intelligent participation of the members in the working of societies it is necessary that continuous system of education be evolved and members kept informed of the decisions and

activities of the society. The Rochdale Pioneers laid great stress on the continuous education of the members and even began to set aside a fixed sum out of the surplus for education purposes.

Mutuality

The principle relates mostly to the mutual co-operation among the co-operatives for organizing resources on the basis of mutual help and for sharing benefit. Cooperation implies an enterprise of those who are financially weak individually and can not derive material advantage which rich people with all their resources and connection can. In order to convert their weakness into strength the members pool their resources and work together for mutual benefit. The mutual aid is, in fact, a means of self help.

Development of co-operation in India

In its modern form, cooperation was introduced in India by the Government in the beginning of 20th century in order to save people from the malpractices of money lenders. It has largely been confined to agriculture, especially for the supply of credit, which till present times remains the major activity of cooperatives. The first legislation on cooperation as the Cooperative Credit Societies Act which was passed in 1904 to form cooperative societies as a result of which cooperative credit societies were set up to provide cheap credit to farmers. But the real beginning of cooperative movement was made from the year 1912 when the defects of Act of 1904 were removed through the Cooperative Societies Act, 1912. The Maclagen Committee (1914) envisaged a three-tier cooperative credit structure with Primary Agricultural Credit Societies (PACS) at the grassroot level; Central Cooperative Banks at District/Intermediary level (DCCBs) and State Cooperative Banks (SCBs) at State level. A Cooperative Land Mortgage Bank was for the first time set up in Punjab in 1920 to extend long term loans for development of land and other infrastructure. It was only in 1927 that Townsend Committee recommended formation of Provincial Land Mortgage Bank at Taluk level. After independence many committees were set up by the government to review and recommend changes in policy and structure of the cooperative credit institutions. The cooperative societies were classified as 'rural' and 'urban' with the former having unlimited liability while the latter had both limited and unlimited liability. The cooperative movement in India is now more than a century old and has diversified into various fields and a large number of different types of cooperative have come up.

The cooperative movement has all along been mostly confined to agriculture, and largely for the supply of credit. An account of different types of cooperatives operative in the field of agriculture is given as Box-1. On the whole, the cooperative movement, both in rural and the urban areas, has made large strides forward. There is a large increase in the number of cooperative societies serving various purposes such as supply of credit, marketing of produce, processing of raw material, etc. Most of the progress has, however, taken place in the sphere of agricultural credit. The number of Primary Agricultural Credit Societies, supplying short term credit, and that of Land Development Banks, extending long term loans, have increased considerably. Apart from Central and State Banks & Land Development Banks there are other agencies for financial support to the cooperative sector. These agencies include; the National Bank for Agriculture & Rural Development (NABARD) to supplement the long term resources of cooperative banks; the Rural Electrification Corporation to finance rural electrification; and the National Cooperative Development Corporation (NCDC) for promoting programmes for production, processing, storage and marketing of agricultural

produce through cooperative societies. During recent times new dimensions have been added to give a new and progressive direction to the cooperative movement. In addition to provision of credit, cooperative societies have been organized for various other purposes such as for farming, supply of inputs, distribution of consumer goods, etc. In place of single purpose societies, emphasis is now being laid on multipurpose societies in the form of service cooperatives as a result of which cooperative movement has now become a powerful instrument of rapid growth in rural sector. The government has been promoting this sector right from its start but its involvement has been strengthened especially through provision of educated talented personnel and the right type of leadership. The laws relating to cooperatives and their working are being modified to make these institutions strong both quantitatively and qualitatively.

Progress of cooperatives for supply of credit to agricultural sector

The agricultural credit from institutional sources has increased from Rs. 6230 crores in 1984-85 to 1,08,500 crores by 2004-05 (Table 1). Apart from such a progress, it is apparent that during recent years the contribution of cooperative banks decreased from 55% in 1984-85 to 29% in 2004-05. The share of commercial banks, on the other hand, has been steadily rising from 45 to 62% during this period.

Table 1. Institutional Credit to Agriculture

Year	Cooperative Banks Amount	%	RRBs Amount	%	Commercial Banks Amount	%	Total Institutional Credit Amount	%
1984-85	3,440	55	-	-	2,790	45	6,230	100
1997-98	14,090	44	2,040	6	15,830	50	31,960	100
2002-03	24,300	34	5,470	8	41,050	58	70,810	100
2003-04	26,960	31	7,580	9	52,440	60	86,980	100
2004-05	31,000	29	10,500	10	67,000	61	1,08,500	100

Source: Economic Survey, 2004-05, p. 69

In general all changes and improvements in rural credit have failed to provide adequate credit to improve the economic conditions of the rural population. The health of agricultural credit institutions is really in bad shape which has far reaching implications on the supply of rural credit and rural development in the country. The cooperative sector has progressed substantially but much still remains to be done to make cooperatives effective for rural development.

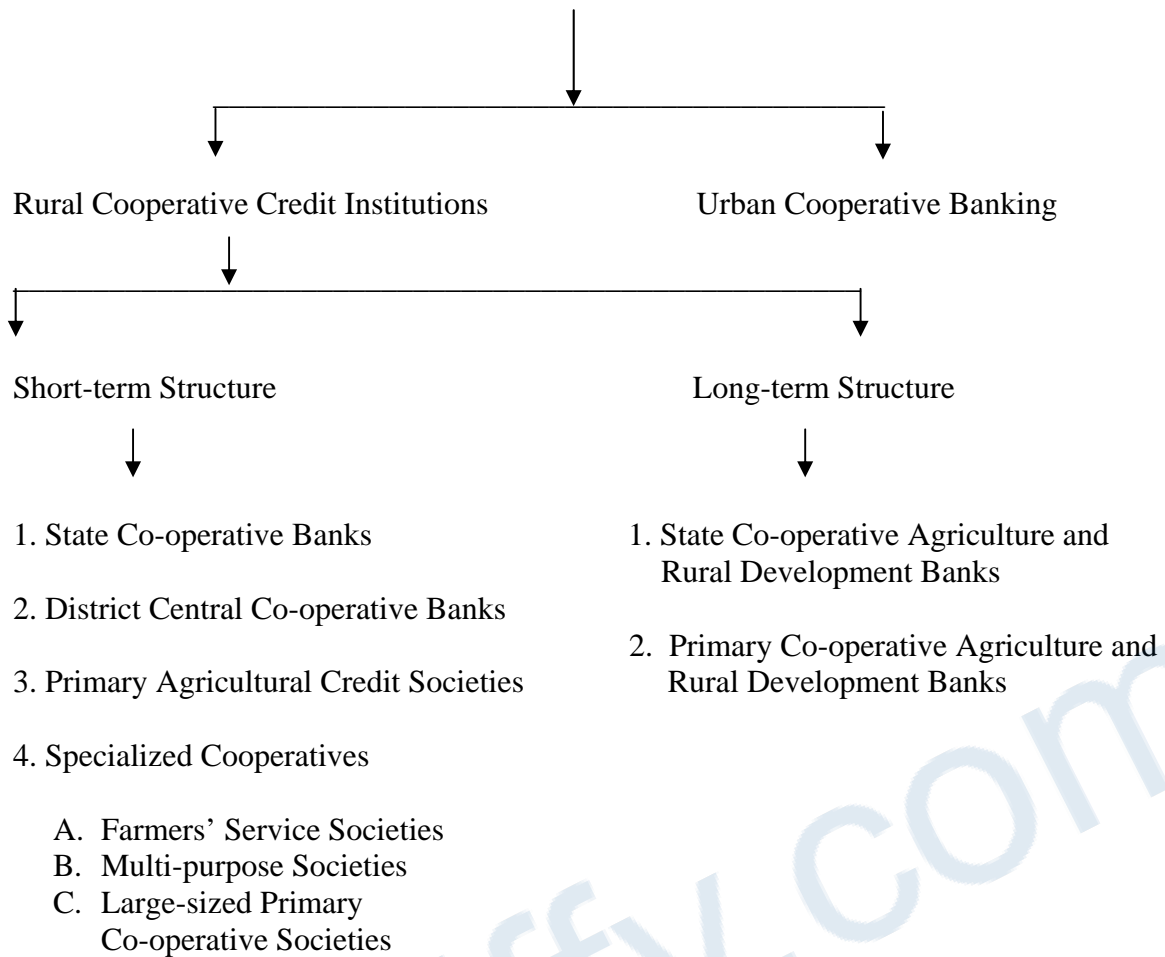
Structure of agricultural cooperatives in India

The Agricultural credit market in India is characterized of Organized (Institutional) Agricultural Credit; and Unorganized (Non-Institutional) Agricultural Credit. The organized credit market comprises of Cooperatives; Commercial Banks; Regional Rural Banks and Non-Bank Financial Intermediaries. The non-institutional credit market comprises landlords, agricultural money lenders, professional money lenders etc. who usually charge unreasonable rates of interest. The entire cooperative network in India has two major segments of Rural Cooperative Credit Institutions and Urban Cooperative Banks (Box-1). The rural cooperative credit institutions have been organised into short-term and long-term structures. Cooperatives

came into existence in the form of Cooperative Societies to provide Institutional credit by raising funds through loan, membership and deposits. The same principle of cooperation for supply of credit was subsequently extended to other facilities like marketing, processing, storage etc. based on which different types of cooperatives have been established (see Box-2). The basic objective of these societies has been the supply of credit but these have assumed the broad status of rendering several services related to input supply, marketing, processing, etc. (see Box-3). The agricultural credit societies were converted into large-sized and multipurpose societies and even special purpose cooperatives. The cooperatives have frequently been classified based on several criteria like nature of activities of members i.e. consumers; providing credit; sales; purchase; agriculture; industrial etc. No doubt, a perfect classification is practically difficult but at least the agricultural cooperatives have quite satisfactorily been classified based on the function and purpose of each class of cooperatives.

BOX-1

STRUCTURE OF CO-OPERATIVE CREDIT



BOX-2

TYPES OF CO-OPERATIVES IN AGRICULTURE

- Co-operative Credit
- Co-operative Farming
 - Co-operative Tenant Farming
 - Co-operative Collective Farming
 - Co-operative Better Farming
 - Co-operative Joint Farming
- Co-operative Marketing
 - NAFED
 - NCDC
- Co-operative Processing
- Co-operative Storage
- Consumers' Co-operatives
- Women Co-operatives

BOX-3

FUNCTIONING OF CO-OPERATIVES IN AGRICULTURE

A. Short-term Structure:

- Supply of credit for seasonal requirements
1. Primary Agricultural Credit Societies (PACS):
 - Crop loans for routine agricultural operations
 - Supply of farm requirements such as seeds, fertilizers, pesticides, etc.
 - Provide household requirements
 2. Multi-purpose Societies:
 - Credit for all multi-purpose activities in rural development
 - Aims at “better farming, better business, better living”
 - Support in marketing and processing of agricultural products
 3. Large-sized PACS:
 - Same as PACS except for size of operation and linkage of credit and marketing
 4. Farmers’ Service Societies:
 - Integrated credit and other services to small and marginal farmers, tenants and landless farm labourers
 - Credit for development activities like development of land, wells, godowns etc. for collective use.
 5. Marketing Co-operatives:
 - To market members’ produce
 - Provide credit on security of produce
 - Provide grading, processing and pooling of agricultural produce
 6. Processing Co-operatives:
 - Integration of agricultural production and processing to enhance rural employment and livelihood
 - Establishment of commodity based processing units as Spinning Mills, Sugar Mills, Oil Mills, etc.

B. Long-term Structure:

Supply of credit for long-term investment for improvement of land, purchase of costly farm agricultural equipment, sinking of wells and pumps etc .

Primary Agricultural Credit Societies (PACS)

At the time of independence the nation required and also endeavoured for overall economic development especially through the predominant rural agricultural sector. The operation of small-sized rural credit became a point of attraction to achieve such aspiration of Indian economy. It was, however, soon felt that this system was not strong enough to shoulder the comparatively bigger responsibilities of nation building (Bedi, 1992). A critical analysis of existing constraints and opportunities called for more efficient, albeit, effective plan to revitalise the economy of the country. Incidentally the country faced a serious problem of food shortage which necessitated substantial increase in indigenous agricultural production. It was then realized that the ongoing cooperative movement must be associated with efforts of other institutions to develop new agricultural technologies and their commercial scale adoption to wipe out food shortages. It was under such situations that the basic aim of cooperative movement to eliminate rural indebtedness was redefined to resolve the problem of under-production by adopting a holistic approach of providing series of services that would ensure substantial increase in food production and rural development.

The Primary Agricultural Credit Societies (PACS) were started to provide cheap credit to the farmers to relieve them from clutches of money lenders. At present, there are 1,12,309 PACS which works out to roughly one PAC for every six villages in the country. The total membership of PACS is reported to be around Rs. 12 crores. The PACS can be started with ten or more persons, normally belonging to a village to become share holders of the society. The value of each share is generally nominal so as to enable even the poorest farmer to become a member. The members have unlimited liability and management is honorary, the only paid member being the Secretary-Treasurer. The loans are given for short periods, normally for the harvest season, for carrying on agricultural operations and the rate of interest is fixed. Such societies were expected to attract deposits from well-do-do members which could be used to give loans and advances to needy members. But these failed to promote saving and to attract deposits as a result of which the government had to bring into existence Central and State Cooperative Banks to provide funds to PACS which, in turn, will lend to farmers.

Functions: In pursuance of the most cherished objective of improving agricultural production, the service/primary agricultural co-operatives were established to perform the following functions:

1. To provide short-term credit required for the purchase of farm requirements and medium-term loans for other agricultural purpose.
2. To arrange the supply of farm requirements such as improved seeds, fertilizers and insecticides etc.
3. To provide household requirements such as sugar, kerosene oil, etc.
4. To raise funds mainly through savings of members.

Such service co-operatives in almost all the states have by now adopted the system of advancing production oriented credit popularly known as 'Crop Loans'. The system, broadly speaking envisages that the credit needs of the cultivator members are to be determined with reference to the requirements of production in respect of different crops to be grown by them in the ensuing cropping season. In some states the practice of fixing credit limits both for individual members and for societies for two or three years has been adopted. Such a practice cuts down procedural delays, reduces routine work of bank employees and gives them more

time to concentrate on developmental work. The NABARD now insists on the co-operative banks introducing seasonality in loaning, which means that disbursement of loan should coincide with the sowing and growing of crops and recovery should coincide with harvesting and marketing of crops. As regards repayments, due dates should be so fixed as to coincide with the harvesting and marketing of crops. In addition, the NABARD now sanctions separate limits for *Kharif* and *Rabi* crops in favour of central banks. The central cooperative banks are also expected to fix normal credit limits to the member societies both for *Kharif* and *Rabi* separately every year in advance. On this basis, the actual financing is to be regulated conforming to the seasonal cropping pattern so that they would automatically get reflected in the pattern of operations on the borrowing of banks. Crop loan system has on the whole proved useful as it has helped to increase the flow of credit and its linkage with the agricultural production programmes of the member farmers.

The PACS constitute the major retail outlets of short-term and medium-term credit to rural sector. In order to take care of the needs of the weaker sections of the society, special types of organizations (see Box-1) at the grassroots level like Large Sized Multipurpose Societies and Farmers' Service Societies have been set up to provide the package of services required.

Farmers Service Societies (FSS)

The National Commission on Agriculture found the existing institutional credit structure to be inadequate to meet the special needs of small and marginal farmers and landless agricultural labourers. It recommended the organization of special co-operatives called farmers service co-operative to provide integrated services to this category of farmers. In light of the recommendations of the Commission, the Government of India decided that farmers service societies may be set up on a selective basis to provide integrated credit supplies and services in selected areas as a pilot experiment. The scheme of FSS came into operation in 1973 which makes FSS to be a registered cooperative society. The funds to FSS are provided by the state governments and the financing banks. The FSS provide medium and long-term credit to the members for development activities such as development of land, wells, godowns etc. It also supplies inputs and services to the members for which the financing bank provides a separate line of credit. The service co-operatives have, therefore, been playing an important role in the distribution of fertilizer, pesticides, seeds, agricultural machinery, etc. to their members. They secure their supplies mostly from the nearest co-operative marketing society which functions as a sub-wholesaler, the wholesale business being with the State level cooperative marketing federations. Supply of inputs to the members is generally made on credit against their sanctioned credit limits. Though FSSs were considered qualitatively different from reorganized PACS but these have never been operationally different from PACS which is not restricted only to small and marginal farmers and landless labourers.

Multipurpose Societies

A multipurpose society is “a society which caters for all the needs of the farmers and not only their credit requirements.” The basic concept of these societies is to bring the whole life of cultivator within its ambit that would lead the cultivator along the path of “**better farming, better business and better living**”. They supply not only the credit needs of members but also make arrangements to collect the produce of the members and help them in its processing and marketing. The multi-purpose societies were not planned to be established anew, and rather emerged as conversion of primary cooperative societies to adopt

multifarious activities related to overall development of agricultural and rural life. The role of such societies can be assessed from the fact that the first multi-purpose society was started in 1912 but soon it was felt that the multi-purpose idea does not seem to have been successfully translated into practice to an appreciable extent in any state. The All India Rural Credit Survey Committee (also known as Committee of Direction) assessed the performance of multipurpose societies and reported that the working of multi-purpose societies did not prove satisfactory. These societies required business talent which in rural areas could be developed only steadily over a number of years. Over-night conversion of small sized societies into multi-purpose societies could not arm them with efficient workers who could diversify their working and introduce techniques of successful operation.

Large-sized Primary Credit Societies

On account of their small size, inadequate finance, and lack of competent personnel, the multi-purpose societies remained an ineffective agency to meet the multiple needs of members. The Rural Credit Survey Committee found neither the small societies nor the multi-purpose societies as a suitable pattern for the development of credit co-operation at the primary level. The committee recommended that large sized primary credit societies in-between the multi-purpose and single-purpose societies be developed which may have the following features:-

1. A large membership drawn, if necessary, from more than one village.
2. Limited liability and State partnership.
3. Emphasis on the grant of crop loans and medium-term loans.
4. Meeting of consumption needs through chit funds.
5. Building up a link between co-operative credit and co-operative marketing.
6. Emphasis on larger deposits

The survey report introduced the idea of viability into the co-operative societies. Viability could be achieved by enlarging membership and loan and other business operations so that the society could obtain sufficient surplus to maintain a permanent office and efficient staff. On an average, a large-size society was recommended to have a membership of 300 to 500 persons and a loan business of about 1.5 lakhs. The organization of large-sized societies was taken up in the country on a phased basis. These societies were assisted to construct their own godowns which could be utilized for storing the farm and household requirements as well as produce of the members. These societies were also given managerial assistance so that during the initial years of their working they could appoint a trained manager. The programme of launching large-sized societies could hardly continue for 3 years because in 1959, the National Development Council decided to stop further organization of such societies. It rather led to the development of service cooperatives in the form of organization of villages who have willingly combined for mutual help and cooperation in meeting their common economic requirements and increasing agricultural production. As already described under PACS, such cooperative societies operating under different names are the most important agencies for the benefit of agriculturists and rural people.

The Current Status of PACS

Although Primary Agricultural Credit Societies are crucial instrument of rural development, they seem to be a very weak link in the short term credit structure. Even after reorganization only two-thirds of the PACS are viable as overdues in these societies are mounting. Even

though emphasis has of late been to encourage the PACS to work as multi-purpose co-operatives, most of them are still mere credit agencies. Internal resources of these societies are also weak, especially on the side of deposits. In order that these societies are able to bear the heavier burden of meeting the requirements of the rural population in respect of credit, agricultural inputs, household requirements and marketing of crops as mentioned above, they must improve their management, mobilize local resources, orient their working so as to be able to meet all the economic needs of the members and above all somehow overthrow the menace of overdues which is a major impediment in the flow of credit and services.

Co-operative farming

At present the cultivated area per capita in India is less than one acre which is further being reduced with an increase in population. Such small operational units of cultivation are not suitable for the application of modern tools of cultivation like irrigation, farm machinery etc. The application of principles of cooperation in the cultivation of land is called Cooperative Farming which necessarily implies pooling of land and joint cultivation and management. Cooperative farming also ensures a more rational and judicious use of other farm equipment pooled by members. Small farmers who are not able to secure adequate credit individually can secure it by joining cooperative farms. Cooperative farming also enables the pooling of scientific knowledge of members where one or two talented farmers on the farm can educate their less progressive co-workers. Moreover, it is easier for the government agricultural officers to introduce new techniques and educate the farmers about them if they are organized into institutions aimed at a common cause of agricultural production and profitability.

Kinds of Co-operative Farming: The Co-operative Planning Committee classified co-operative farming into following four types:-

(i) *Co-operative tenant farming:* It refers to a system in which a society consisting of a number of farmers procures a large tract of land either by purchase or in lease which is divided into smaller holdings and then leased to individual members of the society. The society provides facilities of credit, seed, fertilizers and implements and undertakes marketing of members' produce. Every member pays a fixed rent for his holding but the produce of his holding is his own and is entirely at his disposal. Though the society undertakes to supply credit, seeds, manures and costly inputs but it is optional for the members to utilize these facilities.

(ii) *Co-operative collective farming:* It implies the type in which members surrender their land irrevocably after which it becomes property of society where members loose their ownership. Land, livestock and other equipment are joint, work is common and the management is generally through an elected council. Under this system of farming, every person gets, apart from his wages, a share in the surplus produce of the farm. The collective farm is a large-scale farm and is highly mechanized.

(iii) *Co-operative better farming:* It implies the system in which some or all the farmers in a village join together for the purpose of improved methods of farming. The members retain ownership of their land but agree to follow a plan of cultivation laid down by society. In this type of farming every farmer is independent, can put his land to any use he likes and does not lose his title to land. The joint cultivation is not mandatory and each member cultivates his own land and takes his profits.

(iv) *Co-operative joint farming*: It implies pooling of land on the part of small cultivators whose separate holdings are not large enough to permit economic cultivation. The plots are pooled into one unit and the cultivation is joint, though every farmer retains ownership of his land. Joint cultivation is done on pooled land in accordance with the programme decision taken by committee elected. All operations of purchase, sale and cultivation are done jointly where each member gets wages for daily labour. The produce is disposed of collectively and part of profit is transferred to reserve fund.

A critical evaluation of Co-operative Farming in India: The co-operative joint farming has been viewed as the first stage to ultimate policy of a switchover to collective farming. It failed in making a frontal attack on the existing inegalitarian economic structure because it produces virtually no change in the status quo. Traditional status of distinction between land owners and landless labourers and share-croppers are maintained and, under the cover of respectability provided by the label co-operation may even become deeply entrenched. Further, Co-operative farming societies functioning as joint stock companies with paid managers help capitalistic agriculture in India. Though theoretically land is pooled, in practice it is not treated as joint property. Again, it is hardly possible to carry out reforms with the help of a bureaucracy which has no faith in them. To sum up, co-operative farming as practised in India has failed to serve the ends for which it was conceived. It is a matter of record that hardly two per cent of the cultivators have formed into co-operative farming societies and they cultivate barely 0.4 per cent of the total cultivated area.

Co-operative marketing

The word “marketing” represents not only the sale of produce in the market, but also includes all the stages and processes it has to undergo to reach the consumer. It includes various services such as transport, grading, storage, warehousing, processing, and packing at various stages. Agricultural marketing, in fact, comprises all the operations involved in the movement of food and raw materials from the field to final consumers. It needs no emphasis that agricultural produce is mostly sold through the traders where a number of malpractices like false weights and measures, undue deductions including those for religious and charitable purposes, large samples taken by wholesalers bargaining under cover of cloth through the brokers, etc. are usually adopted. Sometimes, traders go to the villages and purchase stocks from the cultivators at unfavourable rates. Such marketing co-operative societies *inter-alia* get rid of all such activities and also enjoy economies of scale in grading, processing, storage etc. It is, therefore, always advantageous for the growers to organize the marketing of their produce on cooperative basis.

Objectives and Functions: Marketing co-operatives are organized by agricultural producers with the objective of undertaking all types of marketing on efficient lines and in such a way that the producers secure the best price for their produce and are saved from the exploitation to which they otherwise are subjected. With this main objective, marketing co-operatives undertake one or more of the following activities:

1. to market produce to their best advantage;
2. to provide credit facilities to members on the security of their produce;
3. to arrange for transport and storage of member’s produce;
4. to provide the facility of grading of produce;
5. to introduce the system of pooling so as to require a better bargaining power;
6. to export member’s produce so as to bring in better returns for the producer;

7. to act as agents of government for procurement and implementation of price support policy;
8. to arrange supply of farm inputs as a measure to increase produce and improve its quality;
9. to arrange the supply of essential consumer articles to rural population.

Structure of marketing co-operatives

In most of the States, the general purpose co-operative marketing structure grew on a two or three tier basis. At the base are the primary marketing societies which in turn have organized their central federation at district or regional levels. At the state level, apex federations of marketing co-operatives have been organized. Membership of the primary marketing societies consists both of the individual growers and the rural credit societies. The idea of extending membership of rural credit societies grew around the concept that the rural societies would perform the function of assembling centres. They would collect the produce from their members and bring the same to the marketing society for sale. The marketing society would sell the produce to the best advantage of the farmers and out of the sale proceeds, deduct the dues of the credit societies.

Progress in Co-operative Marketing

Under the active encouragement of the Government and the Reserve Bank of India, co-operative marketing has made great progress in Maharashtra, Andhra Pradesh, Tamil Nadu, Uttar Pradesh and Bihar. The Cotton Sale Societies of Maharashtra and Gujarat gin and press cotton for members have provided considerable benefit to them. The sugarcane marketing societies of U.P. and Bihar protect the interests of the members as against sugar mills and also help to improve the quality of sugarcane, they advance funds as well as undertake welfare activities in the villages. Besides they supply cane to the factories and finance the purchase of seeds and manures. There are co-operative societies in Maharashtra specializing in the sale of tobacco, fruit, vegetables etc.

Role of NAFED and NCDC

The National Agricultural Co-operative Marketing Federation, popularly known as NAFED, was organized in 1958 and represents the entire marketing structure at the national level. The main objective of the Federation is to assist the Marketing Co-operatives in the States to develop their marketing business and to help them render better services to their members. In order to achieve this objective, the NAFED adopts a variety of strategies with a view to ensuring better returns for the growers. The strategy may be to undertake price support operations or buffer stocking or export or import of surplus commodities as the case may be, to balance production with consumption. The Government of India announces from time to time support price in respect of certain commodities and appoints NAFED as its agency for procurement. Sometimes, NAFED on its own announces the support price for certain items like onions, tobacco, potatoes, etc. and arranges to purchase them either for export or supply for sale at a future date. The buffer stocking operation is another method adopted to give support of prices. In all cases, purchases are made from the growers and through the agency of marketing cooperatives. NAFED promotes inter-state and export trade of farm produce as it exports commodities like onions, pulses, chillies, ginger, garlic and cardamom to many countries. It also undertakes movement of essential commodities from surplus to scarcity areas and helps ease consumer supplies. We may also refer to a few other organizations in

the cooperative sector, such as the National Cooperative Tobacco Growers Federation Ltd.; the National Consumers Cooperative Federation; Tribal Cooperative Marketing Development Federation of India Ltd. (TRIFED), dealing specifically to the marketing problems of tribal areas.

The National Co-operative Development Corporation (NCDC) was set up in 1963 under an Act of Parliament with the object of planning and promoting programmes for the production, processing, storage and marketing of agricultural produce and notified commodities through co-operative societies. Essentially NCDC is a promotional and developmental organization and its financial role stems from its promotional functions. The Corporation supports these programmes and has initiated a number of new schemes for which assistance is provided to the State Government. The NCDC is a high powered organization with a General Council consisting of 51 members headed by Union Minister incharge of Co-operation. It raise funds through budgetary allocations by Central Government for specific schemes, internal accruals, market borrowings and through issue of NCDC bonds. It provides assistance to schemes of marketing, processing, storage, and practicing in a share capital of cooperative sugar, cooperative spinning & weaving mills, in the form of loans and subsidies. The NCDC has played an active role in the development of co-operative marketing and processing, both in terms of expertise and financial assistance. The NCDC has extended its activities to the development of cooperative dairy, fisheries and minor forest produce which are basically intended to benefit the weaker sections of the community. Being the principal financing and promotional organization at the national level for the development of cooperative marketing, storage, processing etc. the NCDC was lending greater support to these activities on an expanded scale. NCDC has actively promoted distribution of essential consumer articles such as foodgrains, sugar, edible oils, controlled cloth, kerosene, salt, soft coke, etc. in the rural areas through service cooperatives. The NCDC has also nurtured and developed the State Cooperative Federations (MARKFEDs) as strong centralized level agencies for marketing of agricultural produce. The NCDC has also played an active role in the promotion and organization of national level cooperative industrial enterprises like Indian Farmers Fertilizer Corporation (IFFCO) for manufacturing nitrogen and phosphatic fertilizers.

Co-operative processing

Foodgrain processing involves changing the form of grains to make them fit for ultimate consumption and preservation. Such work in India is done largely by middlemen as a result of which producers of food grains are at loss to enjoy the benefits from processing for which consumer is paying at higher rates. The Committee on Co-operative Processing set up by the NCDC (1975) observed that the potential of agricultural processing industry can not be fully exploited for the benefit of the growers unless they themselves own and control them, and also participate in their management in the form of cooperatives. Cooperative processing so envisaged also provides the missing link in an integrated co-operative structure comprising of co-operative credit, supplies and marketing. In practice, co-operative processing industry has demonstrated its superiority not only as an upholder of the farmers' interest, but also an instrument in developing social culture. There are now over 2,500 co-operative agricultural processing societies organized in the co-operative sector as against only 326 in 1962-63. Co-operatives continue to be the major sector in the sugar industry accounting for 58 per cent of the national production of sugar.

The co-operative sugar factories have taken up installation of distilleries, paper mills and alcohol-based chemical units. The factories provide such socio-economic services to the surrounding rural community as irrigation facilities, promotion of dairy and poultry activities, agricultural extension and establishment of educational institutions and hospitals. They also act as catalyst for industrialization to provide direct and indirect employment opportunities to the rural masses. In the dairy programme of “Operation Flood”, co-operatives are playing a significant role where Amul cooperative system has achieved wonderful gains. In the field of manufacture of fertilizers, the Indian Farmers Fertilizers Co-operative Ltd. (IFFCO) accounted for 12 per cent of nitrogenous fertilizer production and 26 per cent of the phosphatic fertilizer production in the country. Other prominent co-operative processing units are co-operative spinning mills, rice mills, dal mills, ginning and pressing units, oil mills, jute baling units, and fruits and vegetable processing units.

Since processing of agricultural produce has strategic place in the rural economy for providing better returns to the farmers, so it helps to create a non-exploitative industrial environment in the rural agro-industry. The Government has made sustained efforts to promote and develop processing activities in the co-operative sector in the last 30 years.

Co-operative storage

Most of the agricultural produce are seasonal and are not consumed immediately but at some future time and hence require preservation and storage. In fact, the need for storage arises fundamentally out of the lack of adjustment between the time of production and time of consumption of agricultural goods. The cultivator has to sell his produce immediately after harvest in the market whereas prices rise after some time. All those who try to store at individual levels end up with huge loss of quality and quantity of produce. So some form of storage and warehousing facilities are needed for the economic benefit of producers of foodgrains. In this context the cooperatives for storage were established after the formation of National Cooperative Development and Warehousing Board; and All India Warehousing Corporation. Agricultural Co-operatives require godowns for undertaking various functions like marketing of agricultural produce, supply of agricultural produce, supply of agricultural inputs and distribution of consumer goods. The Seventh Plan envisaged creation of 2 million tones of additional storage in the co-operative sector. This target was over-achieved in the first three years of the Plan by creating additional storage capacity of 2.4 million tones. About 46,000 primary agricultural cooperatives in the country and most of the cooperative marketing societies at various levels have their own godowns. This achievement has been made possible by the implementation of cooperative storage projects in several States by National Cooperation Development Corporation (NCDC) with assistance from World Bank and European Economic Community (EEC). In this context, we may refer to the setting up of cold storages by cooperatives, particularly for potatoes through financial assistance extended by NCDC.

Consumers' co-operatives

Co-operative consumer stores are voluntary organizations of the consumers, organized for procuring goods in bulk from the production centres at favourable terms and then arranging their equitable distribution to members at fair price. As the co-operative stores make purchases of bulk, mostly from the production centres, they can supply them to the members at reasonable rates. In fact, co-operative stores do not work with a profit motive. They do strive to make a small profit after meeting their costs but this surplus is meant to meet

unforeseen losses and to strengthen their funds. Most of this surplus may be given back to the members as patronage rebate. As the consumers' stores are service organizations, supplying goods mostly to their members, their objective is to supply unadulterated goods with correct weight and standard quality for a given price. The supreme authority in a co-operative store, as in any co-operative society, vests with the general body of members. They can impart valuable education in democracy and community life and can also provide better living conditions to their employees.

Progress of Consumer Co-operatives: In November 1960, the then National Co-operative Development and Warehousing Board set up the Committee on Consumers Co-operatives to examine the promotional and organizational aspects of the consumers movement, for ensuring sound and speedy development thereof. In October 1962, emergency was declared in the country in the wake of Chinese aggression, and it was considered necessary for the consumers to organize co-operative stores and hold the price line. In almost all states, State federations of consumers stores were also organized and the National Consumers' Co-operative Federation (NCCP) was organized at national level. It was observed that consumers co-operatives "can effectively serve as an instrument of consumer protection in the sphere of retail distribution" and "have a vital role to play in the task of stabilization prices".

Under Indian conditions, where prices tend to rise at the slightest pretext, one of the objectives of co-operative stores is to hold the price line. To achieve this objective, the co-operatives, have been advised to follow the "active price policy". In many western countries like Sweden, Denmark, Russia and Japan, consumer co-operatives have set up their own manufacturing units and have shown that by producing about 15 to 20 per cent of total produce of a commodity, they can exercise wholesome influence on the market prices as well as quality. In India also, a few consumer co-operatives have set up oil mills, spice powdering plants, flour mills, coffee roasting and grinding plants. The policy of the Government of India is to encourage consumer co-operatives to install their own manufacturing units in the field of spice powdering, dal milling, coffee grinding, soap making, tailoring and polythene bags etc. For this purpose, the consumer co-operatives are eligible to financial assistance up to 80% of the block capital expenditure from the Government of India or the NCDC depending upon the nature of the industry to be set up. They are also entitled to a managerial subsidy for three years on a tapering scale. It is felt that the consumer co-operatives by setting up their own units will be able to help in the supply of quality goods at fair prices, without depending too much on the manufacturing units. This will also give them some countervailing power in bargaining with the manufacturers in respect of supplies.

Women co-operatives

India's dairy co-operative societies have traditionally been run by men but this is gradually changing because about twenty per cent of co-operative members are now women, and nearly 2500 all-women cooperatives are functioning in the country. Over 1,000 women in Gujarat's Surendranagar district have proved that modern technology can ameliorate the worries of poor rural women. Surendranagar now has nine dairy cooperatives – with a turnover of 9.8 million in the past year – run entirely by women. Gujarat, in fact, spearheaded the 'Operation Flood' movement in the 1970s, which sought to maximize milk production and profits through scientific techniques and attempted to free milk producers from the tyranny of middle persons. This was an initiative by Dr Verghese Kurien, Chairperson of the Gujarat Cooperative Milk Marketing Federation (GCMMF) and architect of the Gujarat dairy

cooperative movement. The GCMMF is the apex body under which all the 12 district cooperative unions in Gujarat function. According to 'Dairy India' – a publication on the dairy industry – at present, of an all-India total of 9.2 million co-operative members, 1.63 million (18 per cent) women cooperatives are functioning in the country.

Several NGOs are now working to change this scenario to be more inclusive of women. The Self-Employed Women's Association (SEWA), Ahmedabad, Gujarat was the first one to start the concept of all-women dairy cooperatives in the Banaskantha district. This is a dry area with limited fodder reserves, and so SEWA has been actively working on fodder security. This scheme is implemented by women members of SEWA, now organized into the Development of Women and Children in Rural Areas Association. SEWA has also revived some defunct dairies in Santhalpur and Radhanpur talukas. Apart from NGOs, governmental organizations like the National Dairy Development Board have also organized special training programmes for women in modern livestock management.

The Deepak Cahritable Trust (DCT), a Vadodara-based NGO, has also been actively promoting women's dairies in Vadodara district since the mid-1990s. The organization chose Tikar – a remote village situated in the Little Rann (desert) of Kutch – in Surendranagar for its first project in 2001. The district itself is a backward area, and was considerably devastated during the earthquake. A survey of the existing livelihood skills showed that, after farming, the dairy trade is the most commonly pursued occupation in the village. Meetings were set up with dairy officials from the Surendranagar dairy, the main collection centre, and a milk collection centre was set upon at Tikar, complete with the latest automatic milk collection machine, milk tester, weighing scales, batteries (electric supply in the village is unpredictable) and a telephone. Initially, women were hesitant about depositing milk with the dairy. But through intensive training sessions, they began to see the benefits of associating with the dairy. In the past three years, eight dairy cooperatives (in addition to the one in Tikar) were started. The women associated with the dairy say that it is not the higher price they get for their milk that makes them keep coming back but other benefits, like bonus, payment every 10 days, information about fodder, mineral mixture and cattle health training which is available through such cooperatives.

Weaknesses of the co-operative movement

In spite of enormous scope and relevance of cooperatives, the progress of this movement has been far from satisfactory. The All India Rural Credit Survey Committee as well as many individuals and committees have brought out the various weaknesses of the movement in India and have suggested methods for improving and reorganizing the movement.

(i) *Lack of spontaneity*: The co-operative movement in India did not spring from the people themselves. The movement was not voluntary in the real sense and the people did not come forward to organize societies to satisfy their needs. The government officials who ran the movement were ignorant of the ideals of co-operation. They were neither properly trained, nor were they aware of the needs of the farmers.

(ii) *Lack of funds*: A basic weakness of the co-operative movement has been the lack of funds and these do not command adequate resources in the form of share money and deposits. The central and the state co-operative credit societies could not attract as much deposits from

the general public as was anticipated. On account of weakness in financial working of credit societies the overdue rises to 40-45 per cent of the loan.

(iii) *Loans for productive purposes only:* The co-operative credit societies did not help the farmers in meeting all their credit requirements. They give loans only for agricultural operations. But the farmers require loans to meet many of their other requirements also for which they have to depend upon the money-lenders and thus farmers do not become full supporters of the cooperative movement.

(iv) *Provision of credit only:* The co-operative societies provided loans to the farmers but did not help the latter in any field of non-credit shares.. In certain areas different societies were started for different purposes. But there is need to establish co-operative societies to meet all the needs of the farmers.

(v) *Problem of overdues:* The major problem faced by co-operatives is mounting levels of overdue with a ratio of overdues to demand being 40 to 42 per cent. The total overdue of co-operative credit institutions is estimated to be between Rs. 9,000 to Rs.10,000 crores. Lack of will and discipline among cultivators to repay loan, defective landing policy and apathy of management in taking quick action against defaulters created such a situation. It has further been aggravated by frequent loan waivers, concessions in various forms towards repayment of principal and payment of interest, writing off the debts etc. It is disquieting to note that out of 1,12,309 PACS with a membership of around 12 crores in the country, 62 per cent are viable, 30 percent potentially viable and eight per cent are either dormant, defunct or under liquidation. The problem of overdues is a matter of serious concern as it affects the recycling of funds and credit expansion on one hand, and economic viability of cooperatives, on the other. Various suggestions to lower this financial drain in co-operative sector have remained unimplemented at the levels of state governments. Some serious thinking is required to remedy the situation at the higher level before the entire system of credit supply to rural sector is crippled.

(vi) *Competition from private agencies:* From the very beginning, the co-operative movement met with competition from powerful vested interests. In villages, the money-lenders and traders worked for the failure of the village societies.

(vii) *Lack of co-operation on the part of the people:* In India, people have been largely illiterate, ignorant and extremely conservative. For one thing, most of them did not understand the real meaning and objective of co-operation. Co-operation can not succeed unless there is willingness and complete co-operation from the people.

(viii) *Defective management and leadership:* The failure and liquidation of many societies in rural areas was directly due to the defective management and leadership. As mentioned earlier, the village economy is dominated by the landlords. But these landlords did not care much about the success of the co-operative movement.

(ix) *The attitude of the Government:* The Government was correct in encouraging the movement in all possible ways. The mistake it made was to convert co-operatives into almost a government department with all the rigidities and short sightedness associated with a government department. The tendency was to officialise the movement too much and leave little to private initiative.

(x) *The nature of Indian rural society*: Conditions in Indian rural society did not promote co-operation among people. The average Indian farmer is illiterate and ignorant and has not been able to understand the significance and utility of co-operation. Even after a century of operation of cooperatives people have not developed much faith in the movement and still regard it as a government agency for the grant of loans and other services.

It, however, needs to be emphasized that in spite of such inherent weaknesses the cooperative sector has produced noticeable beneficial impact on the rural societies particularly in the form of credit and agricultural inputs. Despite slow and rather unsatisfactory progress of the cooperative movement, it still remains the only hope for the vast masses of the rural community to look for financial support. It is, therefore, essential to introduce appropriate reforms, as repeatedly advocated by special committees constituted for this purpose, to make it an effective tool of rural prosperity. It would be appropriate that the weak, small and inefficient primary societies are merged in the form of large societies with relatively large resources at their disposal. The functioning of cooperative institutions also needs to be regulated to ensure productive use of loans, better coordination of primary societies with state and central levels especially through the provision of trained administrators and devoted workers. It can not be denied that inspite of very ambitious start the cooperative movement has not yet fully become a people's movement. At present the small and marginal farmers constituting about 35 per cent of total farming community depend mainly on credit for the purchase of their inputs for which the available credit still is inadequate. The weaker section of population consisting of bonded labourers, landless agricultural labourers, scheduled caste etc. still continue to be exploited by high cast money-lenders and landlords. It is due to such reasons that rural credit supply has failed to make dent on poverty and to improve economic condition of the bottom about 70 per cent of our rural population.

Revitalization of co-operatives in agriculture

In view of less than satisfactory performance of cooperatives in agriculture the Govt. of India set up several committees (Capoor Committee, 1999; Vyas Committee, 2001; Vikhle Patil Committee, 2001) to suggest remedial measures. It is unfortunate that there has been little progress in implementing the recommendations of such committees. All the committees strongly recommended to make co-operative self-reliant, autonomous and fully democratic institutions. But it all required major amendments in regulatory and supervision mechanism, and financial assistance which has not been forthcoming as a result of which the co-operative movement continues to deteriorate. Vaidyanathan Committee (2004) was then constituted to formulate a practical and implementable plan of action to rejuvenate the rural co-operative credit structure. Though the committee planned to design action plan for the short-term as well as long-term structure but it could cover only issues related to short-term credit structure. The recommendations of this Task Force (Box 4) are in the form of inter-related and integrated package covering specific measures in the sphere of financial assistance, institutional restructuring, empowerment of RBI and improvement of efficiency. The committee strongly recommended that for improving the health and vitality of co-operative credit structure it is necessary to accept the entire suggested package in full.

BOX-4

The major recommendations of the Vaidyanathan Committee are as under:

- The Co-operative Credit Structure (CCS) is impaired in governance, managerial and financial fronts and hence needs to be revived and restructured.
- The financial restructuring shall be contingent on commitment to and implementation of legal and institutional reforms by the State Governments.
- Financial assistance be made available for (i) wiping out accumulated losses; (ii) covering invoked but unpaid guarantees given by the State Governments; (iii) increasing the capital to a specified minimum level; (iv) retiring Government share capital; and (v) technical assistance.
- Availability of financial assistance from the Government of India shall be strictly subject to legal and institutional reforms in the cooperative sector to ensure that the cooperatives become truly democratic and member driven. These reforms shall include: (i) ensuring full voting membership rights on all users of financial services including depositors; (ii) removing state intervention in administrative and financial matters in cooperatives; (iii) removing provision for Government equity and participation in the Boards of cooperatives; (iv) withdrawing restrictive orders on financial matters; (v) permitting cooperatives the freedom to take loans from any financial institution and not necessarily from only the upper tier and similarly place their deposits with any financial institution of their choice; (vi) permitting cooperatives under the parallel Acts to be members of upper tiers and the existing cooperative societies Acts and vice versa; (vii) limiting powers of the State Governments to supersede Boards; (viii) ensuring timely elections before the expiry of the term of the existing Boards; (ix) facilitating full regulatory powers for the Reserve Bank in case of cooperative banks; and (x) introducing prudential norms including CRAR for all financial cooperatives including PACS.
- The Task Force has also recommended certain major amendments to the provisions of the B.R. Act, 1949 enabling removal of dual control and bringing the cooperatives under the regulatory control of the Reserve Bank. These include: (i) all cooperative banks would be on par with the commercial banks as far as regulatory norms are concerned; (ii) the Reserve Bank will prescribe 'fit and proper' criteria for election to the Boards of cooperative banks; (iii) the Reserve Bank will prescribe certain criteria for professionals to be on the Boards of cooperative banks; (iv) the CEOs of the cooperative banks would be appointed by the respective banks themselves; and (v) cooperatives, other than cooperative banks as approved by the Reserve Bank, would not accept non-voting member deposits. Such cooperatives would also not use words such as 'bank', 'banking', 'banker' or any other derivative of the word 'bank' in their registered name.
- Total financial assistance has been estimated tentatively at Rs. 14,839 crore. The Task Force, however, has recommended a special audit to ascertain the exact requirement of assistance. The financial assistance be shared by the Government of India, State Governments and the CCS based on the origin of losses within a flexible matrix.
- NABARD be designated as the Nodal Implementing and Pass Through Agency to coordinate and monitor the progress of the programme representing the Government of India. NABARD will prepare model MoUs, model balance sheet proforma for PACS and CCBs.
- The Scheme be kept open for a period of two years for the State Governments to decide on their participation.
- The Scheme be operationalized through National Guidance and Monitoring Committee, State Level Implementation and Monitoring Committees and District Level Planning and Implementation Committees at national, state and district levels, respectively.

The Vaidyanathan Task Force has laid particular emphasis on eliminating state interference in the functioning of cooperative system. It has gone to the extent of making arrangements

for retiring the share capital contributed to cooperative societies by State Governments. Special plan has been suggested for implementing financial package of Rs. 15,000 crores. The Task Force has suggested the enactment of a new model Cooperative Societies Bill which would meet the objective of reducing State intervention. It is expected that a faithful implementation of suggestions of this Task Force shall ensure long term sustainability of the cooperative structure.

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