

# **Cooperative Movement in India and Pakistan**

**Mohammad Moqueem**

Encouraged by the example of some Western countries the movement was started by the Government to solve the problem of Rural Indebtedness. The beginning was made with enactment of the Co-operative Credit Societies Act 1904. The Societies were granted several concessions such as exemption from Income tax, custom duties and registration fees, priority over ordinary creditors, next to Land Revenue and free Government audit. The Co-operative societies Act of 1912 recognized non-credit co-operatives and led to the organization of central and provincial Co-operative banks and societies of limited liability as against unlimited liability of rural societies.

Under the Reforms Act 1919, Co-operation became a provincial subject and provincial Governments passed various laws to suit their problems. The Act of 1912 is still in force in former provinces of Panjab, N.W.F.P. and Bahawalpur State. Sind works under the Bombay Act of 1925 and East Pakistan under the Bengal Act of 1940. Many Committees were set up to enquire and report upon the movement. The most important of these is the Co-operative Planning report which was published in 1946 and covered all aspects of the Co-operative Movement.

## **PROGRESS AND THE COMPARISON OF THE MOVEMENT OF THE VARIOUS PROVINCES IN INDIA TILL 1946**

In 1914-15 there were 1200 societies in India with a membership of about 5½ lakhs and working capital of Rs. 15.48 crores. By the end of 1945-46, the number of societies increased to about 171,000 with a membership of 91.6 lakhs and working capital of Rs. 164 crores.

At the close of 1945-46 for which the comparable statements are available there were 171,102 primary societies in the British India including 25 states. Of these 86.1% were classed as Agricultural and 13.9 as non-agricultural societies. Membership of the two groups is 61.6% and 38.4% of the total respectively while the percentage of the working capital is reverse, *i.e.* 38.5% and 61.5% respectively.

There were more societies than villages in the small provinces of Coorg and State of Cochin. Assam had only one society to 13 villages. Orissa, Sind, Bihar and Mysore less than one to six villages, Madras, Bengal and Panjab one society to every 2.3, 1.9 and 1.3 villages respectively. Among the major provinces, Bombay, the Panjab and the Madras have a decided lead in this respect. On the whole the movement has shown steady progress, though inter-

rupted by the Depression years and other handicaps. There has been a general advance in the number of societies, total membership and working capital, regardless of the setbacks experienced in some areas.

### **Achievement of the Co-operative Movement**

Though the movement has not made spectacular progress yet it is impossible to concede that the effort has not been worth the money and energy which have gone into it. The defenders of co-operation can justly claim that it has helped to break the moneylender's monopoly and brought interest rates down. Considerable sums have been made available to those in need of credit at rates well below the money lenders'. Through its land Mortgage Banks it has facilitated the gradual redemption of the Agriculturists from debt. By its consolidation of holdings work and otherwise, it has also promoted agricultural improvement and subsidiary industries, has impressed upon the people the value of combined effort and thrift, has aided members in the purchase of their requirements and the sale of their products.

The restoration of public confidence in the Provinces and states of India where rehabilitation has been in progress, in itself shows the utility of the Movement, where conditions are at all favourable. Many former landless labourers in the Alamuru District of Madras were reported by 1930 to be independent agriculturists with long term leases on advantageous terms made possible by credit from the co-operative societies.

That the co-operative movement is a factor to be reckoned within the money market is obvious from the size of the working capital of Co-operative Banks. The co-operative societies have done much to meet the deficiencies of the Indian Banking systems. It is generally conceded that co-operation has done great deal in spreading the banking habit and popularizing cheques and demand drafts.

The advantages of the societies in training their-members in business methods and leadership are beyond dispute. Many a peasant's greater independence today contrasted with his former helplessness in the affairs of business, must be credited in part to the co-operative societies. Increased openness to suggestions for improved methods of production may be mentioned as an important by-product of the cooperative movement. It has encouraged the habit of saving and investment among the Agriculturists. It has led to the decrease in the consumption borrowing and it has created increasing interest in the rural problems in the minds of Urban capitalists and workers.

In short, the Co-operative Movement has reached that stage, where it can be counted as a factor in the economic, social and Political development of the rural areas in India and Pakistan.

### Criticism of the Movement

Along with the achievements of the movement there are very serious shortcomings which should be considered. It has had a long lease of over fifty years in this sub-continent, yet the movement is in the experimental stage. Though it has served the interests of rural communities, to some extent, yet it has produced meagre results as compared with other countries of the world. The meagreness of the help can be judged from the following figures of loans advanced by various Co-operative and Central Banks to the co-operative societies in former provinces of Pakistan. In N.W.F.P. the Provincial Bank and its branches have lent to the Primary Societies 1.61% of its total working funds amounting to Rs. 1.76 crores (1949-50). The Panjab Provincial and Central Banks lent to the primary societies 8.29% of their total working capital amounting to Rs. 16.17 crores (1949). The East Pakistan Provincial and Central Banks have lent to primary societies 11.47% amounting to Rs. 4.50 crores. In Pakistan as a whole the Central and Provincial Banks are giving aid of 7.12% of their total funds to the primary societies. The Rural indebtedness of Panjab has been estimated to be Rs. 33.3 crores. Of this amount Rs. 4.70 crores has been lent by Co-operative societies for Agricultural purposes representing 14.10% of the total rural debt.

The position of other provinces could not be much better since the Panjab leads the provinces in co-operation.

The causes of the slow progress of the Co-operative Movement may be given as follows:—

1. The aid of the Government is not adequate as it is evident from the following figures.

From 1919-20 to 1945-46, while the total working capital increased from Rs. 19.68 crores to 144.33 crores or 633.1%, loans and deposits from the Government increased only from Rs. 24.54 lakhs to Rs. 74.02 lakhs or by 201.9%. Government loans during the period never represented more than 1.63% of the working capital. They represented 1.25% of the working capital in 1919-20 and only 0.51% in 1945-46, for the country as a whole.

Government expenditure on co-operation in the eleven major provinces of British India totalled Rs. 67.21 crores in 1938-39; and Rs. 218.14 crores in 1945-46. In no province in the latter year did the expenditure on co-operation amount to even 2% of the total

revenue expenditure, the percentage, being highest in the Panjab, is 1.95 followed by Orissa and Bihar with 0.79 and 0.73% respectively.

2. Inability of the borrowers to retire the debt due to nature of the major industry (agriculture) is also one of the causes of slow progress. In 1939-40 there were 118,744 primary societies of which 85% were credit societies. They had loans of Rs. 23.14 crores outstanding out of which Rs. 10.71 crores or 46.24% were over-due. The accumulation of heavy over dues meant a progressive freezing up of assets and a paralysis of the movement. There were various Central Banks in various provinces of India whose overdues varied from 64% to 96% of the total working capital. How the movement could remain on its feet for long if 96 out of every 100 rupees available were lent and not repaid by the borrowers.

The Reserve Bank's Agricultural Credit Department found that the feeling of some Provincial Governments was that the Debt Relief Act had weakened the people's moral sense and that in many cases agriculturists with sufficient repaying capacity were holding out in the hope of further concessions.

3. Not only the outlook and character of the people is a handicap for the healthy development of the co-operative Movement but the nature of co-operation itself has also something to do with it. According to the Statistics of 1945-46 there were 17,100 primary societies in the undivided India, of these 86.9% were Agricultural Societies and the percentage of the credit societies were 73.8%. It means that co-operation has remained in this sub-continent mainly (a) an Agricultural and (b) a Credit, movement. There are more non-agricultural and non-credit societies in other countries like Denmark, U.S.A., and China. Due to this reason, in other countries Co-operation has met various needs of the people. For example in Denmark 1400 Co-operative Dairies produce more than 90.5% of milk products delivered to all Danish Dairy Farms and in addition through co-operatives it supplies 2/3rd of the country's export of butter to the rest of the world. In U.S.A. under the Rural Electrification Programme 9 out of every ten farms now are drawing their supply of electricity through co-operative agencies while it was only one out of ten in 1935. The famous Industrial Co-operatives of Red China have been the product of an incredibly short period of co-operative effort in that country, in spite of the

unparalleled strains of the civil war and thereafter. In Pakistan and India co-operation has taken the shape of the borrowing societies as it is evident from the above quoted figures. In India and Pakistan there will be no dearth of borrowers who want to avoid ultimate repayments of the debts.

4. Education is also one of the factors of success, which is absent here as the illiteracy is over 80% in this sub-continent. The early pioneers of the Rochdale Movement considered education as an integral part of the movement, and thought it an essential instrument for achieving the Co-operative commonwealth; and no body of Owenite Co-operators would have dreamed of omitting Education from the list of their essential activities. According to Owen's Doctrines character is the outcome of environment, and education or want of it form a very important part of it. Owenites believed, that the children must be helped to break away from the habits of the old world and to acquire the mastery of new social forces which surround them and to show a comradely attitude towards their fellowmen.

They did not stress the importance of educational only as a matter of theory but were doing something practically even before they had any formal educational arrangements. They used to sit in the news room to here the news of the week. They not only heard the news, but debated and discussed them. At first there was voluntary subscription of 2d. to meet the costs of the news room. When the first Industrial and Provident Societies Act of 1852 was passed, the pioneers revised it and it was decided that the department of Education was to be financed by an appropriation of 2½% from the trading surplus and that was incorporated in the law of 1852. In 1884 a report was presented in the United Board's Committee of the Owenites it showed that a total of £ 1800 was being spent annually on education throughout the movement. But in undivided India the total expenditure of various Provincial Governments on Co-operation was not more than 2% of the total revenue expenditure, as it is given above. We can easily imagine the amount spent on education.

5. No less serious a problem and a more general one is the dependence of the Co-operative Movement on the economic situation, which the history of depression years has amply proved. As the Bombay Registrar warned in his report for 1946-47; "The war-time spurt

in prices and in scope for distributive trade is transitory. The time has come now for the conservation of the members purchasing power through a savings drive and the consolidation of the finance and functions of co-operative societies so as to enable them to whether the storm of depression which may set in before long.”

6. The administration of a Co-operative Department in any province, where the movement is fairly launched, is a man-sized task and its proper discharge calls for all the time and energy of the Registrar, who is solely responsible for the improvements, education and propaganda for the Co-operative societies. On the other hand in Bombay the Registrar was also the Director of Agricultural Marketing and Rural Finance. In the Panjab the purchase of the Provincial Reserve of food grains in 1942 was entrusted to the co-operative Department, a task which called for utilizing the entire Co-operative organization for this work which is outside its proper field. The Saraiya Committee declared that the Registrar should enjoy a higher status and a longer term of office, and that he should rank with the heads, for example, of the Police and P.W.D.
7. More importance to credit and inadequate linking of credit with thrift and other co-operative lines is one of the causes of slow progress of the Movement.
8. Lack of vision of the problem as a whole and the possibilities of co-operation in actual field is also a handicap in the progress of the movement.

### **SUGGESTIONS FOR IMPROVEMENT**

The above mentioned handicaps should be eliminated and conditions improved. Besides this the following measures should be taken to re-organize the movement.

Small primary, societies should be integrated into Central Unions. Provincial Unions should be organized on democratic principles. The primary societies should elect members for the Central Union and the latter for the Provincial Unions. Provincial Unions formed for functional purposes such as credit, marketing, consumers stores etc. should be federated into another multi-purpose. Federal body, which should eventually be entrusted with administrative responsibility of promotion, supervision, inspection, audit, propaganda, education and training. This body should be vested by gradual stages with all the func-

tions of the co-operative movement. Government should intervene only in matters of dispute when the societies cross the Units of law. Government should receive annual reports and review them and give suggestion. The report and review of the Government should be discussed in the Provincial Parliament. The Provincial Federal bodies should develop cadres of officials to serve as executive officers of the Central Union and village societies.

It may be stated that to make it a success we will have to change the entire character of the movement and extend it practically into the non- Agricultural and non- credit fields like consumption, production, distribution and exchange. Thus we can make the movement self-sufficient and self-sustaining by enabling it to cover all aspects of our national life and base itself on the entire economic and social life of the people. Only increasing the number of societies on the old lines is not enough for success. Legislative measures should be adopted on the model of those countries, like Netherlands, Denmark, Switzerland, Japan and U.S.A. which have achieved great success in the field of co-operation. But the fruits of such legislation will be reaped only by the efforts and industry of the people. Cooperation should not be considered as an isolated programme to be implemented by the Co-operative Departments of the Provinces. It must be integrated into a general and all comprehensive plan of national reconstruction and development. The country must also be rid of miss illiteracy, ignorance and superstitions. Self-respect self-help, thrift and industry, honesty and comradeship must be inculcated amongst our teeming millions.

#### **Sources**

1. Cole: G. D. H. A century of Co-operation.
  2. Fay: Co-operation at Home and Abroad.
  3. E. Hough: Co-operative Movement in India.
  4. S. M. Akhtar: Economics of Pakistan.
  5. Jather and Beri: Indian Economics, Vol. I.
  6. Economics and Commerce (Annual Number 1952).
-