

Cooperative Laws and Democratic Management

(A Study of changes in the Co-operative Societies Act and their impact
on the Co-operative Movement in the State of Tamil Nadu)

Ph.D., THESIS IN CO-OPERATION
SUBMITTED TO
THE BHARATHIDASAN UNIVERSITY
TRICHY

By
V. FRANK RATNAKUMAR

Under the Supervision of
Dr. S. NAKKIRAN
Head, Department of Co-operation
T B M L College PORAYAR

SEPTEMBER - 1992

BHARATHIDASAN UNIVERSITY
Thiruchirapalli

Buc [Thesis

216

380

N?

01

Dr. S. NAKKIRAN,
P.G. Professor and Head.

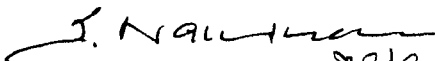
Department of Cooperation,
T.B.M.L. College,
Porayar - 609 307,
Tamil Nadu.

SEPTEMBER 1992.

CERTIFICATE

The thesis entitled, "Cooperative Laws and Democratic Management" (A study of changes in the Cooperative Societies Act and their impact on the Cooperative Movement in the State of Tamil Nadu) is a record of research work done by the candidate, V. FRANK RATNAKUMAR, during the period of his study, and that the thesis has not previously formed the basis for the award of any degree, diploma, associateship, fellowship or similar title to the candidate.

The thesis represents independent work on the part of the candidate.


Supervisor. 28/9/92

C O N T E N T S

PAGE NO.

ACKNOWLEDGEMENT	i - ii
LIST OF TABLES	iii - iv
CHAPTER	
I THE DESIGN AND EXECUTION OF THE STUDY	1 - 37
II COOPERATIVE LAWS AND DEMOCRATIC CONTROL	38 - 79
III THE EROSION OF POWERS OF THE BOARD	80 - 125
IV THE CRACKDOWN OF COOPERATIVE DEMOCRACY IN TAMIL NADU	126 - 229
V FINDINGS, CONCLUSIONS AND SUGGESTIONS	230 - 261
BIBLIOGRAPHY	i - xii
APPENDICES	i - xi

ACKNOWLEDGEMENT

I thank my Lord for His Amazing Grace, without which, I could not have completed this study.

I express my deep sense of gratitude to my Professor and Guide, Dr. S. Nakkiran, who amidst his multifarious duties and responsibilities spared his precious time to guide me in my research. I can sincerely say that his constant encouragement has been the main reason for the successful completion of this thesis.

I must thank Rt. Rev. Jeyaseelan Jacob, Bishop of Tranquebar and Secretary of the College for his permission to pursue research, while in service, and also for his blessing.

My special thanks are due to Prof. A. Arul Mariyanathan, Principal, who extended all possible help, to complete my research work.

It is my duty to record the help rendered by Dr. S. Ramamurthy, Professor of Tamil, Mr. SP. Shanmugam, Librarian, Mr. P. Thambidurai, Department of Mathematics, Mr. A. Savarimuthu, Mr. J.P. Selvaraj and P. Manickavasagam, Department of Cooperation, of my College. I also thank my Departmental Colleagues and my dear friends.

My special thanks are due to **Dr.R.Sathyamurthy**, Reader in Statistics, Annamalai University, for helping me in the statistical analysis of data. **Mr. Elangovan**, **Mr. K. Ravichandran**, **Miss. Sumathi**, **Mr. Ganesan**, **Mr. Ramachandran**, **Mr. Ganapathy**, **Mr. Mohan**, **Mr. Geogy Vargese** and **Mr. Maria George**, my students, deserve my thanks for helping me in data collection.

I am what I am today because of my parents, **Mrs. and Mr. Victor Dharmaraj**. Words cannot do sufficient justice to the love and affection they bestowed on me. I thank them. I would also like to place on record all the help extended to me by my wife, **Mrs. Irene Nirmala**, and my beloved Children, **Jennifer** and **Dan**.

I would like to thank the officials of the office of the Registrar of Cooperative Societies, Madras and Tamil Nadu State Cooperative Bank, Madras. I thank, **Mr. C. Mohan** for having typed the manuscripts neatly.

V. FRANK RATNAKUMAR

LIST OF TABLES

S.No.	TABLE NO.	TITLE OF THE TABLE	PAGE NO.
1.	3.1	The Composition of the Board of Management of some major Cooperatives in Tamil Nadu	93
2.	4.1	Extension of period of Supersession	131
3.	4.2.	Extension of period of Supersession in Primary Agricultural Credit Societies	133
4.	4.3.	Circulars of Registrar of Cooperative Societies	151
5.	4.4.	Government Programmes for Cooperatives	152
6.	4.5.	Government (TN) Programme for Credit Cooperatives	164
7.	4.6	Performance of Tamil Nadu State Cooperative Bank during 1976-77 To 1989-90	169-A
8.	4.7	Compound Growth Rates of Share Capital, Reserves, Deposits, Borrowings, Working Capital, Total loans advanced and Overdues of Tamil Nadu State Cooperative Bank (1976-1977 To 1989-1990)	173
9.	4.8	Comparison of Performance of Tamil Nadu State Cooperative Bank with All India Average, Kerala and Maharashtra	174-A
10.	4.9	Performance of Central Cooperative Banks	180-A
11.	4.10	Compound Growth of Share Capital, Reserves, Deposits, Borrowings, Working Capital, S.T. Agricultural Loans, Total Loans advanced, Loans Outstanding and Overdues of CCBs in Tamil Nadu	185

12.	4.11	Comparison of Performance of CCBs (Average) in Tamil Nadu with All India, Kerala and Maharashtra Averages	186-A
13.	4.12	Progress of PACS (1984-1985 - 1989-1990)	192-A
14.	4.13	Viability of PACS	196-A
15.	4.14	Compound Growth Rates of Membership, Borrowing Members, Share Capital, Government Share Capital Reserves, Deposits, Borrowings, Working Capital, S.T. Loans, S.T. Agriculture, MT. Loans and Overdues of PACS in Tamil Nadu during 1984-1985 To 1989-1990	198-A
16.	4.15	Comparison of Performance of PACS (Average) in Tamil Nadu with All India, Kerala and Maharashtra Averages	199-A
17.	4.16	General Profile of Societies Selected (As on 30.6.1992)	205-A
18.	4.17	Characteristics of Respondents of Sample Societies	207-A
19.	4.18	Member - Education Programme	210
20.	4.19	Knowledge of Cooperation	211
21.	4.20	Member Identification	213
22.	4.21	Economic Participation	215
23.	4.22	Attendance in General Meeting of Primary, Credit Societies	217-A
24.	4.23	Democratic Participation	219
25.	4.24	Reactions	220-A

LIST OF ABBREVIATIONS

AARRO.	: Afro-Asian Rural Reconstruction Organisation
CCBs.	: Central Cooperative Banks
GOAP.	: Government of Andhra Pradesh
GOA.	: Government of Assam
GOD.	: Government of Delhi
GOG.	: Government of Gujarat
GOH.	: Government of Haryana
GOI.	: Government of India
GOKA.	: Government of Karnataka
GOK.	: Government of Kerala
GOMAS.	: Government of Madras
GOM.	: Government of Maharashtra
GOUP.	: Government of Uttar Pradesh
GOTN.	: Government of Tamil Nadu
ICA.	: International Cooperative Alliance
ICR.	: Indian Cooperative Review
ICU.	: Indian Cooperative Union
NABARD.	: National Bank for Agriculture and Rural Development
NCUI.	: National Cooperative Union of India
PACS.	: Primary Agricultural Credit Societies
PCSA.	: Punjab Cooperative Societies Act
SCB.	: State Cooperative Bank
TN.	: Tamil Nadu
TNCS Act.	: Tamil Nadu Cooperative Societies Act
TNCU.	: Tamil Nadu Cooperative Union
TNJC.	: Tamil Nadu Journal of Cooperation
VMNICM.	: Vaikunth Mehtha National Institute of Cooperative Management

CHAPTER - I

THE DESIGN AND EXECUTION OF THE STUDY

1.1 INTRODUCTION

The dawn of civilisation heralded the birth of Cooperation. There can be no doubt that when men started living together civilisation began and mankind started on the upward path towards Cooperation. The beginning of agriculture would have been impossible without mutual aid among the first farmers. No one farmer could possibly defend his crops against the plundering of nomadic tribes, but if all the farmers of the valley joined together to protect all their rude plots of growing things, then and only then they did have their chance to reap their harvest.¹ History is replete with examples of such Cooperation.

1.1.1 ECONOMIC COOPERATION

Economic Cooperation, which is defined as the association of persons on terms of equality to achieve some common economic objectives, has been of recent origin. Economic Cooperation represents the institutionalisation of the principles and impulse of mutual aid in the day-to-day economic activities of man.² The rise of Cooperation in modern forms dates from the Industrial

Revolution of the 18th and 19th centuries. The Industrial Revolution has brought about divergencies of economic interest. The divisions and oppositions of economic interest - between producers and consumers, employers and workers, farmers and traders, landlords and tenants - forced people who were permanently placed at a disadvantage to resort to Cooperation.³

The credit of pioneering the Cooperative way of life goes to Robert Owen.⁴ His ideology tended to create an alternative: a morally, economically, socially and politically superior system to the existing competitive capitalism.⁵

The real beginning of Modern Cooperation was placed at 1844, when the Rochdale Pioneers started their successful, Rochdale Equitable Pioneers Society in Toad Lane, a little street of Rochdale, Lancashire.⁶ To this society went the credit of making Cooperation an enduring success. Jack Bailey observed that the simple factor in their success was, the way in which they absorbed the lessons of previous failures."⁷ The Cardinal Principles on which they worked were the principle of dividend on purchase, fully democratic form of association and cash trade. Schulze-Delitzsh (1808-1883), who devised the

basic type of credit for the German artisan, was inspired by the organisation of the British **Friendly Societies**.⁸ During his life time he formed some 1900 Credit Associations.⁹ Fredrick Welhelm Raiffeisen (1818-1888) laid the foundation for the Agricultural Credit Movement, when he started the Village Banks. These early Cooperative developments provided the base from which Cooperative practice spread to conquer the entire world, covering almost every economic activity, and transcending all the borders and political ideology.

1.1.2. PRINCIPLES OF COOPERATION

Though Cooperatives may not have been defined by any legally constituted authority in any country, yet the essential features of a Cooperative are accepted by the world community of Cooperators.¹⁰ These are spelt out in the Principles of Cooperation. Whatever may be the variations of Cooperatives, these Principles formed the very foundation of Cooperative activity. The sources from which these Principles had sprung were three distinctive **Cooperative Systems - Rochdale, Raiffeisien and Schulze-Delitzch**. The differences in business practices of various cooperatives were mainly due to historical and economic factors rather than any basic differences.¹¹

In other words, they were all following the same fundamental Principles. The Principles laid down by the Rochdale Pioneers have generally been accepted all over the world as the basic source for the modern Principles of Cooperation. The essential Principles are:

- 1] Open Membership
- 2] Democratic Control
- 3] Limited Interest on Capital
- 4] Patronage Dividend
- 5] Cash Trading
- 6] Political and Religious Neutrality
- 7] Promotion of Education.¹²

The diversification and penetration of Cooperative Movement into various fields and into various economic systems necessitated a review of the Principles. **The International Cooperative Alliance** (hereinafter ICA) appointed a special sub-committee in 1931 to study the "present application of the Rochdale Principles."¹³ The Committee made its first report to the Congress of 1934 at the London session and presented the final report to the Congress of 1937, at Paris. The Committee in its 1937 Report classified the principles into two broad groups:

I] Essential Principles

- a] Open Membership
- b] Democratic Management
- c] Limited Interest on Capital
- d] Payment of Dividend in Proportion to Transactions.

II] Non-Essential Principles

- a] Religious and Political Neutrality
- b] Cash Trading
- c] Education of Members¹⁴

These principles did not leave enough scope for interpretation and understanding. The ICA appointed another commission in 1964 to ascertain how far the principles of Rochdale, as defined by the ICA Congress in 1937, were observed to-day and reasons for any non-observance. The **Karve Commission on Cooperative Principles** submitted its report in 1966. The Commission gave Six Principles of Cooperation. The commission observed, "They form a system and are inseperable. They support and reinforce one another. They can and should be observed in their entirety by all Cooperatives if they claim to belong to the Cooperative Movement."¹⁵ The Principles are:

1. The membership of a Cooperative Society shall be voluntary and available without any artificial restriction whether social, political, racial or

religious to all persons who can make use of its services and are willing to accept the responsibilities of membership.

2. The Cooperative Societies are democratic organisations. Their affairs shall be administered by persons elected or appointed in a manner agreed to by the members and accountable to them. The members of Primary Societies shall enjoy equal rights of voting and participation in decisions, affecting their Societies. In other than Primary Societies, the administration shall be conducted on democratic basis in a suitable form.
3. The Share Capital shall only receive a limited rate of interest, if any.
4. Surplus or Saving, if any, arising out of the operations of a Society shall belong to the members of that Society and be distributed in such manner as would avoid one member, gaining at the expense of the others.
5. All the Cooperative Societies shall make provision for the education of their members, officers and employees and of the general public in the principles and techniques of Cooperation, both economic and democratic.

6. All the Cooperative Organisations, in order to best serve the interests of their members and their committees, shall actively cooperate in every practical way with other Cooperatives at local, national and International levels.¹⁶

1.1.3. COOPERATIVE LAWS AND DEMOCRATIC MANAGEMENT

The laws relating to the Cooperative Movement play a vital role in the development of the latter. If these laws contradict the Cooperative Principles, there could be no room for the development of a true Cooperative Movement.¹⁷ The Cooperative Societies are controlled by legislative provisions in almost all the countries of the world. The earliest was the **Industrial and Provident Societies Act, 1852.**¹⁸ The British Cooperatives of all types have been registered under this Act. According to Margaret Digby, the legislation could deal with a Cooperative Society in three ways: In the first place, the Society must have corporate existence and the existence must be officially recorded. In the second place, the character of the Cooperative enterprise should be legally established. In the third place, provision for legal and fiscal privileges be made, since the governments view Cooperatives in the

light of social service. But, at the same time, the voluntary and self-governing nature of the Cooperatives should be maintained.¹⁹

Since the **Industrial and Provident Societies Act, 1882** a number of Laws of Cooperation have been adopted, but most were copied on a few basic types, which could be enumerated as follows:

1. The British type which served as pattern for others
2. The Central European type (Germany, Austria)
3. The Latin types (France, Belgium, Italy)
4. The U.S.A. Type
5. Others - Non-European - India, Japan etc. which were also chiefly modelled on English types.²⁰

The Cooperative Law is mostly expressed in three forms: (a) an ordinance or Act which provides the basic foundation and deals only with the general principles; (b) the **Rules** which are more explicit and give the outline for the bye-laws; and (c) the **Bye-laws** which form the legal frame-work for the administration and management of specific Cooperative Societies.²¹

The Cooperative Law is not necessarily a decisive element in the process of Cooperative

development. A case in point is the Danish Cooperative Movement which flourished even though the country had no Cooperative legislation. However the usefulness of Cooperative Law cannot be underrated.²² The interest of the State in the Cooperative Movement may be expressed by the various grades of intensity in legal actions. For example, the **British Cooperative Act** created a legal basis for the Cooperative enterprise without restricting Cooperatives' autonomy or exercising any kind of State intervention.²³

But, in some new legislations more direct State control over Cooperatives could be observed. In this type of legislation the Cooperative Law could have a vital bearing on determining the nature of relationship between the Cooperatives and State on the one hand and Cooperatives and their own members on the others.²⁴ The Indian Cooperative Laws come under this category. In this context it is necessary to understand the concept of Cooperative Democracy in relation to Cooperative Law.

Democratic Management means self-government. The members themselves are the supreme and ultimate authority competent to decide all important matters concerning their Cooperative Society.²⁵ Democratic control and management should imply:

1. The entire membership shall control the organisation subject to the provisions of the Act.
2. The management shall be elected by the membership from among themselves, periodically and shall enjoy such powers as be specifically given to it; and
3. All decisions in a Cooperative shall be by a majority vote by the members present and voting, each member enjoying one and only vote.²⁶

In line with the Principle of Democratic Management, the Cooperative Societies Act must vest the following powers exclusively with the members:

- i) to make and amend the bye-laws
- ii) to elect and dismiss the office bearers
- iii) to decide on the final distribution of the economic results arising out of the operation of their society.²⁷

These powers should not be delegated by or taken away from the members either directly - by allowing others to decide these matters - or indirectly - by submitting decisions of the members on these matters to the approval of somebody else.

Democratic Management and Control means self-decision and self-government and this necessarily requires some degree of autonomy. Autonomy like liberty does not exist without limitations. There could be only relative autonomy for individuals or groups in the Cooperative Societies. The autonomy of Cooperative Societies is limited by the social, economic and political environment.²⁸ Within these limitations, the restrictions that affect the Cooperative character of an organisation may be summed up as follows:

- i) The members should have the power to set the goals for their organisation. When this goal is set from outside and does not coincide with the felt needs of the members, the question would arise as to why a member should make voluntary contributions, take over liability and subject himself to voluntary discipline in order to achieve an objective which is not this.
- ii) The members should have the power to make their own decisions. This also applies to cases where the educational standard and/or the professional qualifications of members and office-bearers of Cooperative Societies are low.²⁹

The question of autonomy arises in countries where governments look upon Cooperatives primarily as instruments for the implementation of their development policy. Here, the law makers should state in the **Preamble** to the **Cooperative Societies Act** that autonomy in the sense of independence of external interference is granted to registered Cooperative Societies and remove provisions affecting autonomy in the Act.³⁰

Another principle that has a bearing on the development of healthy Cooperative Democracy is the Principle of Voluntary Association. Voluntary membership serves as an automatic device to keep the Cooperative group homogeneous over an extended period of time.³¹ Cooperative Societies, as organisations of mutual self-help, can only exist, in the longrun, if individuals voluntarily accept to conform to the rules of conduct prescribed for their collective action.³² The principle of voluntary association includes the right to leave the Society when one feels that he/she no longer needs the services of the society. Accordingly, the **Cooperative Societies Act** should not contain clauses which allow compulsory membership or compulsory affiliation of non-members.³³

The State must pay special legislative attention to Cooperatives. However, the general legal frame work should not restrict the Cooperative Autonomy. The Act should prescribe the external character of a Cooperative Society, while the internal substance should be decided by the participating members.

Cooperative Law in India with Special Reference to Tamil Nadu

In India, **The Cooperative Societies Act** was an attempt in a long series of endeavours to findout a real and lasting solution not only to reduce the rural indebtedness but to make agriculturists and men of small means credit worthy.³⁴

1.1.4. COOPERATIVE CREDIT SOCIETIES ACT, 1904

The **Cooperative Credit Societies Bill, 1903** was introduced into the Supreme Legislative Council, which emerged as **Act X of 1904**. While moving the **Cooperative Credit Societies Bill, 1903**, Sir, Denzil Ibbetson said:

Certain broad principles must be laid down and certain precautions must be insisted upon; but within these principles and subject to these precautions, the people must in the main be left to workout their own salvation on their own lines, the functions of government being confined to hearty sympathy, assistance and aid³⁵

A Registrar was appointed in each State with duties of registration, audit and liquidation. It was in general assumed that the organisation and guidance of Societies after the experimental stage would be carried out by the local enthusiasts and no provision would be made for an official staff of subordinates.³⁶ An official staff of Inspectors and Auditors, was gradually collected.³⁷ This Act, also, prescribed certain duties for the Societies and their members and power was given to the government to grant immunity against certain operational provisions of ordinary law.³⁸

1.1.5. COOPERATIVE SOCIETIES ACT, 1912

It was soon felt that the 1904 Act was greatly restricted in its scope in various aspects and needed some drastic amendments or even a total replacement by a new Act.³⁹ The Act did not cover any form of Cooperation other than credit, and there was no formal recognition of Central Societies formed of other Societies. Further the classification of the Societies into rural and urban was artificial. To remedy these and other minor defects, which experience had brought to light, a new Act was passed in 1912, which dealt with Cooperation of all kind.⁴⁰

The new Act contemplated the extension of Cooperative activity to more complex forms and secondary bodies. Provision was, also, made for the organisation of all societies aiming at the promotion of economic interest of members.⁴¹ Transactions with non-members were also permitted. This Act, however, retained the simplicity and elasticity of the earlier Act.⁴²

1.1.6. THE GOVERNMENT OF INDIA ACT OF 1919

The Government of India Act, 1919, made Cooperation a provincial transferred subject and the local governments were free to adapt the 1912 Act to suit their own requirements.⁴³ Some of the Provinces, where Cooperation had made considerable progress, felt that the 1912 Act was inadequate considering the many sided developments of the Cooperative Movement in their respective provinces. Bombay gave a lead in this regard and passed a new Act, which came into force in 1925.⁴⁴ The Madras Government appointed a committee under the Chairmanship of C.H. Townshund in the year 1929 to study the progress of the Movement. On the recommendation of this committee The Madras Cooperative Societies Act, 1932, the The Madras Land Mortgages Bank's Act, 1934 were passed.

Although new Acts were enacted in several Provinces, the essential features of the 1912 Act were retained in all of them.

1.1.7. MODEL BILL, 1957

After independence and with the advent of planning, the Cooperatives were expected to play a significant role in the planned economic development of the country.⁴⁵ Pandit Nehru, the first Prime Minister of India, declared:

My outlook is to convulse India with Cooperative Movement or rather with Cooperation, to make it broadly speaking the basic activity of India.⁴⁶

At the initiative of the Reserve Bank of India, the Rural Credit Survey was undertaken and a number of recommendations were made in its report to strengthen the Cooperative movement and bring the state into the movement in a big way.⁴⁷ The committee had recommended an important deviation from the Cooperative tradition, policy and practice in the form of State Partnership in Cooperatives. The concept of State Partnership involved the State contributing to the share capital of the Cooperative institutions and also having the right to nominate its representatives on the boards of management of such Cooperatives.⁴⁸

In order to make legal provision for State Partnership and to simplify and rationalise Cooperative Law in the country, the Government of India set up a Law Committee under the Chairmanship of S.T. Raja.⁴⁹ As per the terms of reference, the committee drafted a Model Bill which included a special chapter on State Aid to Cooperatives and provided for the nominees of government on the Managing Committees of Cooperatives.⁵⁰ The Government of India requested the State Governments to revise their Cooperative Societies Act on the basis of the **Model Bill**, 1957 and in the light of local conditions.

1.1.8. THE MADRAS COOPERATIVE SOCIETIES ACT, 1961

Most of the State Governments had enacted new Cooperative legislations on the basis of the **Model Bill**, 1957. Jammu & Kashmir, Madhya Pradesh and Maharashtra passed their new Acts in the year 1960. The year 1962 saw the enactment of two new Acts by the States of Punjab and Gujarat. Andhra Pradesh passed its Act in the year 1964, followed by Uttar Pradesh and Rajasthan in the next year.⁵¹ **The Madras Cooperative Societies Act** was passed in the year 1961. It came into force on 2.10.1963. This Act was amended extensively several times.

1.1.9 THE TAMIL NADU COOPERATIVE SOCIETIES ACT, 1983

The vast changes in the Cooperative Movement in the State called for changes in the Cooperative Societies Act of Tamil Nadu. What particularly influenced the thinking of the government was the report of the Santhanam Committee on Cooperation (1969). This Committee as well as the Administrative Reforms Commission (1974) made several recommendations for the amendment of the Cooperative Societies Act. This was followed by the Guidelines issued by the Government of India (1975) to modify the State Cooperative Laws. To give effect to the aforesaid recommendations and to have a single piece of legislation for all Cooperatives in the State, the Tamil Nadu Cooperative Societies Bill was introduced in the Assembly in the year 1979. When the Assembly was dissolved, the Bill lapsed. The Bill was again introduced in the reconstituted Assembly in the year, 1980, and referred to a Select Committee. The Committee, presented a revised bill to the Assembly in the year 1982. The Bill was passed by both the Houses of Legislature in March, 1983. The Bill got the assent of the President on 15.7.83 and became the Tamil Nadu Cooperative Societies Act, 1983. The Act came into force in April 1988.

1.1.10. THE MULTI-STATE COOPERATIVE SOCIETIES ACT, 1984

As a result of the Constitutional Reforms (1919), the Provincial Governments framed their own Cooperative Societies Act for governing Cooperatives. So, the Central Government promulgated **Multi-Unit Cooperative Societies Act (VI of 1942)** for the registration and control of Societies whose area of operation was not confined to one Province. It was an enabling legislation comprising of 6 Sections and 9 Rules.⁵² The **Multi-State Cooperative Societies Act, 1984** replaced the **Multi-unit Cooperative Societies Act of 1942**. It was a full-fledged central legislation.⁵³

1.1.11. RECENT TRENDS

India has the largest volume of Cooperative Laws, than any country. Government control and direction have been excessive, rendering a people's movement minus the people. The basic nature of these Cooperative Laws is much against the philosophy and ideals of Cooperation. Despite suggestions from various committees and pleas from Cooperators, the Acts have not been amended to provide for the democratic management of the Cooperatives.

1.2. STATEMENT OF THE PROBLEM

Every piece of legislation, particularly social legislation, would give the efforts of the people, interested and concerned, a direction to shape the character of their social institutions. Cooperative legislation determines the type of Cooperative Movement that emerges. The provisions made in the Law for Cooperatives could either help or obstruct the development and growth of Cooperative Institutions and enhance or curb the individual initiatives of the members. The Law must incorporate the basic Principles, so as to be educative in nature and also makes it easy to differentiate a Cooperative from non-Cooperative Organisation.

It is now, recognised that State aid and State participation are necessary in the interest of the Movement. But the State's action has to be conditioned by the Principles of Cooperation, the need for developing a sound frame-work for a really popular, progressive and dynamic Movement and the cannons of Justice. It is in this context the development of Cooperative Law in this country should be analysed.

Although the British Government in India sponsored the organisation of Agricultural Credit Societies and provided the necessary legal frame work for the growth of the Cooperative Movement, the general policy of the government was one of expecting the Cooperative Movement to grow on its own without any special assistance from the government.

After independence Cooperation was recognised as an important instrument for implementing the economic programmes of the government. **The All India Rural Credit Survey Committee** recommended an important deviation from the Cooperative tradition, policy and practice in the form of State Partnership in Cooperatives. The acceptance of this recommendation by the government and introduction of a separate chapter in the respective State Acts, in this connection marked the beginning of increased Government intervention in the internal affairs of Cooperatives.

If the Cooperatives were to be developed on the right lines, the approach of the government should have been to 'help build' rather than 'to build.' But the States, anxious to secure quick results, and in the context of the Plans to reach the targets, opted to

'build' rather than 'help building.' So, in all the States in different spheres, ambitious targets were fixed, financial provisions made and spectacular results achieved in terms of number of Cooperatives registered, their membership and capital. In the sphere of agricultural credit, the process of changing the base level Cooperatives from their original status as Village Credit Societies with unlimited liability into large sized Cooperatives with limited liability and further into Service Cooperatives, Farmers Service Societies, etc., has been entirely at the behest of the State. The bewildered members affected by these changes have come to believe that Cooperatives are government organisations set up, supported, modified, amalgamated, divided and liquidated at its will by the State.

The Boards of the Tamil Nadu State Cooperative Bank, the Central Cooperative Banks and most of the Boards of the Apex, Central and some important Primary Societies like Sugar Mills, Spinning Mill and Primary Land Development Banks were superseded in 1976, followed by the supersession of Boards of Primary Agricultural Credit Societies in 1985 and in 1989 the Boards of all other societies except Housing and Students' Cooperative Stores.

After a brief spell of democracy (for Primaries only), the Movement again came under the control of Government, when the latter superseded the Boards of Management of 27,800 Primary Cooperatives in July, 1991. The plight of the Movement in the country as such particularly in the State of Tamil Nadu, raises at least two serious questions. What are the restrictive provisions in the Act that impede the growth of democratic Management in Cooperatives? Secondly, what are the causes and effects of mass supersession of the Boards of Cooperatives, particularly in Short-term Agricultural Credit Cooperatives in the State of Tamil Nadu? The answers to these two crucial questions would help taking corrective measures to restore Cooperative Democracy. Hence the study.

1.3. REVIEW OF LITERATURE

The topic, Cooperative Law and Democratic Management, has not been the subject of much research. A few studies have been conducted on Cooperative Law, a few on Democratic Management and some combining both. Here, the findings of these studies are presented with a view to critically assess the existing state of knowledge in the area chosen for research.

A Classical study, **Digest of Cooperative Law at Home and Abroad**, was made by Margaret Digby which, was published in the year 1933. The study was aimed at assembling the Cooperative Laws of various countries. The study found out that Cooperative Laws had been passed in 129 States and with their amendments numbering more than 2200. "But the most general and obvious conclusions to be drawn from a study of Cooperative legislation is its Universal value and applicability."⁵⁴ The study observed that in all the countries of early Cooperative development, the practice preceded the law. "In all these cases Cooperation remains essentially a voluntary and self-governing movement."⁵⁵ The study pointed out that in the tropical empires of England and France, in the East of Europe and in South America, Cooperation had not made a spontaneous growth. Governments, impressed by the success of the movement elsewhere and of its applicability to their own conditions, have introduced, by law, a complete system of Cooperation for the realisation of which they looked primarily to official control and initiative. "Movements of this sort can and do well in some instances and in measure develop into voluntary and largely self-governing movements of the traditional type, but they bear legally

a strong impress of their origin, especially as regards, registration, federation and inspection. From Official voluntary Cooperation to official compulsory Cooperation is a short step."⁵⁶

G.N. Osterguard and A.H. Halsey conducted a study, **Power in Cooperatives**, on the internal democracy of British Retail Societies, during 1955-56. This study was undertaken to find out the extent of participation of members in the affairs of the Society and, also, the Social and occupational characteristics of Board of Management. The starting finding of the study was that 'Member's Participation' in general meetings had declined ominously to less than 1 per cent. "The larger the society, the greater the apathy, the less the reality of democracy".⁵⁷ The study also revealed the steady gaining of power and influence of the employee members.

Indian Cooperative Laws Vis-a-vis Cooperative Principles by P.E. Weeraman, R.C.Dwivedi and P. Sheshadri was one of the important studies in the field of Cooperative Law. The Report of the study was published in the year, 1973. The major finding of the study relating to democratic management are: Cooperative Societies Act in India provided that the General Body is the supreme authority in a Cooperative Society. "However powers

which infringe the authority of the general body are given to the State in the same Acts, quite inconsistently with the vesting of supreme power in the general body. An legal provision which restricts the autonomy of a Cooperative Society in regard to its administration is repugnant to the Principle of Democratic control."⁵⁸

The study observed that the affairs of the Society should be administered in accordance with the democratically expressed will of the members. The powers given to the Registrar under the **Cooperative Societies Act**, such as, power to call general meeting, compulsory amendment of bye-laws, compulsory amalgamation and division, power to control lending, borrowing and investment of funds, power to issue directives, etc. militate against the autonomous Character of Cooperatives. The study pointed out that the Management is elected or appointed in a manner agreed by the members and accountable to them. Several provisions affecting the democratic functioning of the Board are found in the **Cooperative Societies Acts** of Indian States.

Study of Recent Changes in Cooperatives Laws in India and their significance for the Democratic Management of Cooperatives was made by R.V.Nädkärni. and

N.M. Belsare in the year 1974. The study made an analysis of recent changes in Cooperative Societies Acts of different States to find out their impact on the democratic functioning of Cooperatives. This study has brought out the fact that though the State has encouraged the development of Cooperatives in various fields, the State authorities have not been very particular about preserving the Cooperative character of the institutions. "For the purpose of securing Cooperative development in the direction considered desirable by the State, powers for compulsory amendment of bye-laws, compulsory amalgamation of unwilling Cooperatives and also powers to issue directives to ensure compliance have been provided for in the Cooperative law in a number of States. Further with the laudable objective of eliminating vested interests, restrictions have been placed on the freedom of the members to elect those in whom they have confidence to any office in the Management of Cooperatives. All these provisions made inroads into the autonomy of Cooperative Management."⁵⁹

A concrete research Study on Cooperative Democracy was undertaken by O.R. Krishnaswami and was published in the year 1976 under the title Cooperative Democracy in Action. The study analysed the Democratic

Control and Management in Agricultural Cooperative Credit structure in the State of Tamil Nadu. The main finding of the study relating to Primary Societies was that democracy existed in a formal constitution only but not in actual practice. "The ignorance of members, their socio-economic disparities, the societies dependence on Central Banks for funds, robbing of vital matters of decision from their hands, lack of member-relations practices, the mechanical way of conducting meetings - all these sap the vigour and vitality of democracy and make it just a copy book maxim."⁶⁰ Regarding external control and Cooperative Democracy, the study pointed out the interference in the internal administration of Societies. "Cooperative Banks and Credit Societies are deprived of the very life-stream of Cooperative Democracy and Autonomy."⁶¹

Another related study conducted by Tirth Narayan Singh and published in 1981 was entitled **Impact of Cooperative Law on the growth of the Cooperative Movement in Bihar**. The study was undertaken with the following objectives:

- i) to identify and locate restrictive provisions in Cooperative Law which have impeded the growth of the Cooperative Movement.

- ii) to verify the impact of these restrictive provisions on the growth of Agricultural Credit Societies and Handloom Weavers' Cooperative Societies.

In the course of the enquiry it was found out that several restrictive provisions such as compulsory amalgamation, Registrar's power to amend bye-laws, limitation of office, etc. have immensely affected the character and style of functioning of Cooperatives. Indeed the study has shown that the Cooperatives are so much under the thumb of the Government and the Registrar that they are Cooperatives, merely, in form. Under these situation Cooperatives cannot thrive on their own. "If Cooperatives have to emerge as 'Cooperatives' all such provisions in the Act, Rules, bye-laws must be removed forthwith to give Cooperatives a chance to develop on their own."⁶² The problem has been felt by them all. The area wherein lies the solution has also been pointed out. A comprehensive approach is needed to grasp the Indian situation, Hence the study.

1.4. THE OBJECTIVES OF THE STUDY

The present study has the following objectives:

- 1] to study the existing Cooperative Laws and their relevance to Democratic Control.
- 2] to study how far the existing laws eroded the powers of the Board and paved the way for increased government intervention.
- 3] to study the causes and effects of abolition of the Boards.

1.5 METHODOLOGY

The study is basically descriptive in nature. It is mainly concerned with the analysis of changes in the Cooperative Laws in the State of Tamil Nadu in the context of Cooperative Autonomy and Democratic Control. However, in order to understand the impact of the abolition of the Board in the Short-term credit structure, a survey was undertaken among the members of Primary Agricultural Credit Societies. The study used both primary and secondary informations. The Primary informations were collected from the members of Primary Agricultural Credit Societies through a pre-constructed schedule. The Cooperative Societies Acts of Tamil Nadu, and other States of India and Cooperative Societies Act of some Cooperatively advanced countries, Reports of the State governments, Central government, Reserve Bank of India, various

committees, and the Cooperative Departments, Books, Journals and Newspapers constituted the source of secondary informations for the study. Statistical tools have also been used wherever necessary.

1.6. SAMPLING

The present study aims to analyse the impact of Cooperative Law on the Short-term Credit Structure. With a view to study the impact of Cooperative Law, particularly, the exercise of power of supersession by the Government, sample respondents were selected.

Thanjavur District is regarded as the granery of Tamil Nadu. This is the only district in Tamil Nadu served by two Central Cooperative Banks. So this district was selected purposely.

From among the various Blocks in Thanjavur District, 4 Blocks were selected on random basis. From each Block one society was selected. The four societies selected were as follows:

Papanasam Block : 1 Society

Thiruthuraipoondi Block : 1 Society

Sirkali Block : 1 Society

Tranquebar Block : 1 Society

From each society 30 respondents were selected on random basis. The total size of the sample consisted of 120 respondents.

1.7. COVERAGE OF PERIOD

Data regarding the working of Tamil Nadu State Cooperative Bank and Central Cooperative Banks were collected covering a period of 14 years from 1976-77 to 1989-90. Data regarding the working of Primary Agricultural Credit Societies were collected for a period covering 6 years from 1984-85 to 1989-90. The period covered coincided with the period of supersession of the respective cooperative institutions. Data relating to the working of the sample Societies were collected for the year 1989-90. Interview of individual members were conducted during November 1990.

1.8. LIMITATIONS OF THE STUDY

The scope of the study is limited to the restrictive provisions in the Tamil Nadu Cooperative Societies Act, 1983 with particular reference to provisions that directly affect the Democratic Control of Cooperatives.

Even though the supersession is not confined to the short-term credit structure, the impact of

supersession is studied with particular reference to Short-term credit structure consisting of Tamil Nadu State Cooperative Bank at the Apex level, Central Cooperative Banks at the District level and Primary Agricultural Credit Societies at the lower level because of its significant place in the Cooperative Movement in the State.

Further, the Boards of Primary Agricultural Credit Societies were superseded only in the year 1985 but elections were not held to the Primaries since 1976. By bringing in suitable provision in the Law the Boards which existed in 1976 were allowed to continue in office until 1985. While studying the effects of abolition of the Boards at the Primary level, this has therefore created some problems. Because even though the Board was in place, official control increased as the Central Cooperative Banks were under the control of Special Officers. But this study was confined to studying the impact after supersession only. That the official control over the Primaries which existed even prior to supersession might have affected the perception of the members of these Societies about the working of their societies is not however ruled out.

1.9. CHAPTER SCHEME

The Second Chapter analyses the provisions of the existing laws and their relevance for Democratic Control.

The Third Chapter explains the erosion of powers of the Board and increased Government intervention in Cooperatives.

The Fourth Chapter deals with the crack down of Cooperative Democracy since 1976.

The Last Chapter deals with the major findings, conclusions and suggestions.

1. Jerry Voorhis, *American Cooperatives*, 1961, p.4
2. Ibid., p.16.
3. I.C.A., *Cooperation in European Market Economies* 1967, p.14.
4. M.V. Mandane, *A Study of the British Cooperative Movement*, 1961, p.2.
5. Aloysius Balanwyder (ed), *Cooperative Movements in Eastern Europe*, 1980, p.4.
6. K.K. Saxena, *Evaluation of Cooperative Thought*, 1976, p.19.
7. Mandane, *Op.Cit.*, p.5.
8. *Cooperation in European Market Economics*, *Op.cit.*, p.6.
9. K.K. Saxena, *Op.cit.*, p.19.
10. R.V. Nadkarni and N.M. Balsare, *Study of Recent Changes in Cooperative Laws in India and their Significance for the Democratic Management of Cooperatives*, 1974, p.2.
11. Saxena, *Op.cit.* p.21.
12. Saxena, *Op.cit.* p.12
13. I.C.A. Congress is held once in 3 years; Sami Uddin and Mahfoozur Rahman, *Cooperative Sector in India*, 1983, p.16.
14. Sami Uddin and Mahfoozur Rahman, *Ibid.*, p.17.
15. Daman Prakash, *Cooperative Democracy Vis-a-vis Cooperative Education*, p.5.
16. P.E. Weeraman, *The Cooperative Principles*, 1973, pp.9-35
17. P.E. Weeraman, et al., *Cooperative Laws Vis-a-vis Cooperative Principles*, 1973, p.(V).
18. Margaret Digby, *Digest of Cooperative Laws*, p.X.
19. Margaret Digby, *op.cit.* pp.xii-xx.
20. Samuel Alon, *Cooperative Legislation*, 1971, p.2.
21. *Ibid.*, p.9.
22. Puri, *Ends and Means of Cooperative Development*, 1979, p.96.
23. Lazalo Volko, *International Handbook of Cooperative Legislation*, 1954, p.15.
24. Puri, *Op.cit.* p.96.
25. *Ibid.*, p.96.

26. AARRO, **Cooperative Legislation for Afro-Asian Countries**, 1966, p.7.
27. Hans H. Munkner, **Cooperative Principles and Cooperative Law**, 1985, p.63.
28. Ibid., p.68.
29. Ibid., pp.68-70.
30. Ibid., pp.70-72.
31. Hans H. Munkner, **Six Lectures on Cooperative Law**, 1977, p.26.
32. Hans H. Munkner, **Cooperative Principles and Cooperative Law**, 1985, p.51.
33. Ibid, p.54.
34. K.V. Brahma, **The Law of Cooperative Societies in India and Burma**, 1932, p.1.
35. S.S. Ray, **Agricultural Indebtedness in India and Remedies**, 1915, p.262.
36. C.F. Stickland, **Cooperation in India**, p.36.
37. Ibid, p.37.
38. K.V. Brahma, Op.cit, pp.3.4.
39. R.B. Tyagi, **Recent Trends in Cooperative Movement**, 1968, p.9.
40. K.V. Brahma, op.cit. p.4.
41. C.F. Stickland, Op.cit. p.37.
42. Sami Uddin and Mahfoozor Rahman, **Cooperative Sector in India**, 1983, p.499.
43. Kaji, **Cooperation in India**, 1932, p.20.
44. Sami Uddin and Mahfoozor, Op.cit. p.500.
45. R.V. Nadkarni and N.M. Belsare, Op.cit. p.15.
46. Quoted by Daman Prakash, Op.cit, p.11.
47. Committee on Cooperation, 1965,p.3.
48. R.V. Nadkarni and N.M. Belsare, Op.cit. p.16.
49. **Report of the Committee on Cooperative Law**, 1957, p.1.
50. R.V. Nadkarni & N.M. Belsare, Op.cit. p.16.

51. M.D. Vidwans, *Cooperative Law in India*, 1969, p.33.
52. B.B. Trivedi, *Law and Management of Cooperatives*, 1975, p.38.
53. M.A. Deshmukh, "The Multi-State Cooperative Societies Act, 1984: Special Features", *The Tamil Nadu Journal of Cooperation*, Aug. 1986, p.59.
54. Margaret Digby, *Op.cit.*, p.XXI.
55. *Ibid.*, p.xx.
56. *Ibid.*, p.xx.
57. Ostergaard G.N. and Halsey, A.H., *Power in Cooperatives*, 1965, p.239.
58. P.E. Weeraman, et al., *Op.cit.*, p.61.
59. R.V. Nadkarni and N.M. Balsare, *Op.cit.*, p.68.
60. Krishnaswami, O.R., *Cooperative Democracy in Action*, 1976, pp.220-221.
61. *Ibid.*, p.246.
62. Tirth Narayan Singh, *Impact of Cooperative Law on the growth of Cooperative Movement in Bihar*, 1981, p.212.

CHAPTER - II

COOPERATIVE LAWS AND DEMOCRATIC CONTROL

2.1. INTRODUCTION

Cooperation within a Cooperative Society has certain characteristic elements which are valid at all times. The primary function of a Cooperative Society is to promote the economic interests of its members. The democratic principle, characteristic of Cooperatives, is derived from the predominance of the personal element of the Cooperatives.¹ It is the member and not the capital interest that is in the foreground of the statutory regulations. The power in Cooperatives, originates in and flows from the General Body of membership exercising the joint authority in decision-making directly or through delegate authority in duly democratically constituted bodies.² These bodies are directly answerable to the General Body.

The responsibility of management vests with the member's, as it should. Their money finances the association, they utilise the services, they reap the savings and they shoulder the losses.³ Hence, it is logical that final control rests squarely upon the members. Since member's share in both ownership and control is substantial, they have important duties to

perform in the management of their organisation. Members formulate the broad general policies of the Cooperative and elect Directors to supervise the execution of these policies. The Chief Executive/Secretary and his staff put the policies into practice under the supervision of the Board.

The members delegate some, but not all, powers to the Board. They retain, at all times, the right to approve matters of high policy and to review the actions of the Board and Management.⁴ The annual General Body meeting is held to give an opportunity to members to legislate new policies, to review the results of previously adopted policies and to make changes in the plan of operation.

However, the Cooperative Principle of Democratic Management and Control does not imply that all major decisions have to be taken by the members at the General Body Meeting. The members can use the services of specialists if they do not have the necessary expertise.⁵ But the members must be in control of the management of their Society. The question arises whether the members, whose professional qualifications are not much, in countries like India, will be able to exercise effective

Democratic Control at all? In this case the problem cannot be solved by replacing the internal democratic structure of the Cooperative Societies by something different, i.e. an appointed Care-taker Committee, Persons or government control.⁶ It is necessary to find ways and means to develop the members' capacity for Democratic Management.

But in the final analysis, the General Body should be competent to decide on all matters concerning the Cooperative as a whole.

For example:

- i) Approval of Programmes of Action for the ensuing year.
- ii) Consideration of Annual and Audit Reports
- iii) Amendment of Bye-laws
- iv) Amalgamation or Transfer of Society
- v) Conversion into Different Legal Form
- vi) Dissolution
- vii) Election or Dismissal of Office-bearers
- viii) Distribution of Annual Surplus

However, the members in general meeting should not be given powers to interfere directly with the day-to-day management of the cooperative enterprise.

The Cooperative Law should not contain any provision which would deny the members these democratic rights. Should any provision be introduced into a Cooperative Law which detract the democratic character of the Cooperative institutions, the very act would defeat the primary objective of the Law, i.e. preserving the Cooperative character of the Cooperative institutions. By inserting such provisions, the Cooperatives under the Act would be converted into their antitheses.⁸

A review of provisions of the **Tamil Nadu Cooperative Societies Act, 1983**, is therefore made to find out how far they impede the democratic functioning of the Cooperative Societies in the State of Tamil Nadu.

2.2. STATE AND THE COOPERATIVES

In order to place the analysis in proper perspective, an understanding of the relationship between the State and the Cooperative Movement is essential. The relationship between the Cooperatives and the State depends upon several factors, more important being the nature of State (democratic or totalitarian), status of the masses (literacy level, conscientization, leadership pattern), mode of economic development (capitalistic, planned, mixed), stage of economic

development (agricultural or industrialised) and administrative heritage (centralised, decentralised, extent of people's participation).⁹ In India Cooperation was a State sponsored activity. The Cooperative Movement is expected to be member-controlled through and through. The State should only enable, facilitate and assist the growth of Cooperatives. It should have nothing to do in the fields of sponsorship, supervision and control, inspection and audit.¹⁰ The position has changed. Theoretically and in practice the State is no longer regarded as a mere protector and regulator. The Government of India and the States assumed for themselves the responsibility for the development of the Cooperative Movement. The Cooperatives have become an integral part of the development policies of the Government. They are used as an instrument to distribute rural credit, market agricultural produce and provide services to disadvantaged groups and similar essential services. Such decisions could be of benefit to Cooperatives. However, in actual practice, key decisions are usually taken by the governments without full consultations with Cooperative Management and members. A second set of problems involve State regulation and control.¹¹ The paradox is that the State advocacy is the loudest for the promotion of cooperative character and values.¹²

2.3. THE TAMIL NADU COOPERATIVE SOCIETIES ACT, 1983

The Tamil Nadu Cooperative Societies Act, 1983, was passed by both the Houses of Legislature in March, 1983, and got the assent of the President on 15.7.1983. It was published in the official Gazettee on 11.11.1983. This Act replaced the Tamil Nadu Cooperative Societies Act, 1961, which was in force since 1963. The Act came into force only on 13.4.1988 as it took some time to formulate the Rules under the Act. The Act was amended in 1989 to give effect to some of the recommendations of the Ardhanareeswaran Committee and the suggestions of the Chairman of the National Dairy Development Board. The Act governs the working of all classes of Cooperative Societies in the State.

The Preamble, which is generally understood as an introduction portraying the intents of the framers of an enactment of the Act, States:

Whereas it is expedient further to provide for an orderly development of the cooperative movement in accordance with the cooperative principles such as open membership, democratic management, limited interest on capital, distribution of surplus based on patronage, provision for cooperative education and cooperation among cooperatives for the promotion of

thrift, self-help and mutual aid among persons with common socio-economic needs so as to bring about improvement in agriculture and industry, better methods of production, better business and better living and for that purpose to amend and consolidate the law relating to cooperative societies in the State of Tamil Nadu.

Thus the purpose of the Act is to promote thrift, self-help and mutual aid among persons with common socio-economic needs. The ultimate object being the development of agriculture, industry, better methods of business and better living. -A unique feature of this Preamble is that it defines the principles of Cooperation in the Preamble itself.

Under this Act a Society which has its object the promotion of economic interest or general welfare of its members in accordance with the Cooperative Principles may be registered (Section 4). The Act also gives power to the State Government to make Rules (Section 180). In all, the Act contains Nineteen chapters and 184 Sections. The policy of Cooperative Law is to facilitate the formation and working of Cooperative

Societies. In a number of areas, the **TNCS Act, 1983** provides powers to the Registrar and the State Government for controlling the Cooperatives which are repugnant to the autonomy of Cooperative institutions. Though, the Act contains as many as 184 Sections comprising of various Subsections, mention has been made here only to those which restrict the functioning of the General Body.

2.4. GENERAL BODY

Subject to the provisions of this Act and rules and bye-laws the ultimate authority of a registered society shall vest in the general body of members.

Through this provision, the **TNCS Act, 1983**, confers supreme authority on the General Body on all matters concerning the Cooperative as a whole.

That the General Body is supreme had been made clear ever since the inception of the Movement. But the 1904 Act and 1912 Act did not provide for it.¹⁴ For the first time, Section 25 of the **Model Bill**, suggested by the **Report of the Committee on Cooperative Law (1956)**, provided for it. Since then it has been included in

the Cooperative Societies Acts of almost all the States. Such a provision was found in the **TNCS Act, 1961** (Section 26), **Andhra Pradesh Cooperative Societies Act, 1964** (Section 30), **Uttar Pradesh Cooperative Societies Act, 1965** (Section 28), **Maharashtra Cooperative Societies Act, 1960** (Section 72). **Jammu and Kashmir Cooperative Societies Act, 1969** (Section 25) and **Delhi Cooperative Societies Act, 1972** (Section 28(1)). The **Model Cooperative Societies Act 1990** framed by the Planning Commission in Section 28(1) says: "subject to the provisions of this Act and the bye-laws, the ultimate authority in a Cooperative Society shall vest in its General Body." It is common knowledge that the General Body of members are subject to the general law of the land and are subject to the discipline expected of the rest of the citizens.¹⁵ The authority of the meeting is limited not only by the statutory limitations imposed on the registered Society but by the Societies' own Rules.¹⁶ However, powers which infringe upon the authority of the General body are given to the State in the same acts, quite inconsistently with the vesting of supreme power in the former. Any legal provision which restricts the autonomy of a Cooperative Society in regard to its administration

is negation of the Principle of Democratic control.

The Committee on Cooperation (1965) observed: "The Supreme authority of the society is vested in the general body of members and all matters of policy, programme, management, investment of funds and distribution of profits are subject to the approval of the general body. The day-to-day management and the affairs of the society is entrusted to the elected committee, subject to the overall policy directives of the general body. By the operation of the Principle of democratic control, a cooperative society, thus functions as a self-governing institution."¹⁷

2.5.1. REGISTRAR'S POWER TO APPROVE BUDGET

The **TNCS Act, 1983** in Section 32 (2) (1) provides for the conduct of Annual General Body meeting and the purpose thereof;

SECTION 32(2)(1)

A general meeting of a registered society shall be held in a Cooperative year for the purpose of -
a) approval of the budget for the ensuing year with reference to the programme of activities of the society prepared by the board.

Provided that if the general meeting does not approve the budget before the commencement of the year to which it relates, even after the budget is placed before it, the board shall refer the budget to the Registrar for approval. The Registrar after examining the reasons for the non-approval of the budget by the general meeting, shall have the power to modify the budget taking into account the interests of the society.

b) Consideration of audit Report
Annual Report

c) disposal of the balance of the net profits as specified in section 2 of Section 72.,

d) Consideration of details of the services, if any, rendered to any member of the board during the preceding year.

e) consideration of any other matter which may be brought onward in accordance with the bye-laws.

The members exercise their authority only in legally held meetings.¹⁸ This means that the members who want to participate in management must attend the meetings. The Annual General Body Meetings are held to give opportunity to the members to legislate new policies, review the results of previously adopted

policies and make changes in the plan of operations. The members themselves must be in control of the Management of their Society. So, the provision for approval of budget by the Registrar in case the Society fails to adopt it, cuts at the very foundation of Cooperative Democracy. Such a provision was not found either in the Madras Cooperative Societies Act, 1932 or in the Tamil Nadu Cooperative Societies Act, 1961.

2.5.2. CALLING A GENERAL MEETING

SECTION 32(4) (a):

If the Board refuses or fails to call a meeting in accordance with a requisition under clause (c) of subsection (3) or under subsection (1) of section 25 or if in the opinion of the Registrar, there is no board of Officer competent under this Act or the rules or the bye-laws to call a meeting or if there be an order of the Registrar or of the civil court restraining the board to function, the Registrar shall if he is satisfied that there are sufficient and valid reasons to convene special general meeting, call the meeting himself.

SECTION 32(4)(c):

In respect of any meeting called under clause (a) of this subsection, the Registrar may, not.

withstanding anything contained in the bye-laws of the society, determine the period of notice for such meeting, the time and place of meeting and the subjects to be considered there at and may preside over such meeting or authorise any persons to so preside

The members create the Cooperative Society to serve their own purposes and they make financial and other contributions to make the society operating. In such a society the members should know what is in their best interest.¹⁹ In this context the Registrar's power to call a general meeting and decide the time and place of meeting and the subjects to be considered there, not withstanding anything contained in the bye-laws of the Society, contravenes the autonomy of the Cooperative and thereby the principle of Democratic control.

Similar provision was also found in the **TNCS Act, 1961** [Section 26(4)(a)] **Andhra Pradesh Cooperative Societies Act, 1964** [Section 32(6)] **Uttar Pradesh Cooperative Societies Act, 1965** [Section 33 (2)] the **Maharashtra Cooperative Societies Act, 1960** [Section 76(1)] the **Kerala Cooperative Societies Act, 1969** (Section 30)

and **Delhi Cooperative Societies Act, 1972** (Section 30(1)). The **Committee on Cooperative Law, 1957** provides for the calling of General Body meeting by the Registrar himself if a meeting so requisitioned is not convened.²⁰

However such a provision did not find place in the **Model Cooperative Societies Act (1990)** prepared by the **Planning Commission**. In the **Cooperative Societies Act, 1912**, there was no provision for holding or calling general meetings. In Western countries the Registrar has no power to call a general meeting on his own or to control the proceedings of such meetings.²¹

2.5.3. COMPULSORY AMENDMENT OF BYE-LAWS

SECTION 12(1):

Where the Registrar is satisfied that for the purpose of altering the area of operation of a registered society or for the purpose of improving the services rendered by it or for any other purpose specified in the rules, an amendment of the bye-laws is necessary, he may after consulting in the manner prescribed, the board of the financing bank, if any, to which the society is affiliated, by notice in writing, call upon the society to show cause, within such time as may be prescribed in the notice, why the amendment should not be made.

Provided that if the board of the financing bank does not communicate its comments within sixty days of the receipt of the communication from the Registrar in this regard it shall be deemed that the board of the financing bank has no comments to make on the amendment proposed to the bye-laws. Under this sub section.

(2) If, within the time specified in the notice referred to in sub-section (1), the registered society fails to make the amendment, the Registrar may, after giving the society an opportunity of making its representations register the amendment and issue to the society a copy of such amendment

(3) Any amendment of the bye-laws registered under sub-section (2) shall have the same effect as an amendment of the bye-laws registered under section 11, unless the registration is cancelled in pursuance of a decision in appeal.

This Section provides unfettered powers to the Registrar to amend the Bye-laws of a Society in contravention of the Principle of Democratic Control. The Bye-laws include matters which regulate the domestic affairs of a Cooperative Society with special reference to the type of business the Society proposes to carry on.²² The original position of the Cooperative Law

in respect of amendment of Bye-laws was that this authority was vested in the General Body of the Society. With the advent of Planning and the role accorded to the cooperatives in the planned economic development, many States have made provisions in their Cooperative Laws conferring powers on the Registrar to direct the Cooperative Societies to make amendment to their Bye-laws which he might consider necessary or desirable.²³

TNCS Act, 1961 (Section 12) had such a provision and similar provision was also found in the **Andhra Pradesh Cooperative Societies Act, 1964** (Section 30), **Uttar Pradesh Cooperative Societies Act, 1965** (Section 28) **Maharashtra Cooperative Societies Act 1960** (Section 72), and **Kerala Cooperative Societies Act, 1969**, (Section 12(5)) and **Gujarat Cooperative Societies Act, 1961** (Section 73) Such a provision was not found in the **Cooperative Societies Act, 1912**. The **Model Bill** drafted by the **Committee on Cooperative Law** appointed by the Government of India in 1956 did not make any provision for powers to any external agency to direct amendments to Bye-laws of any Cooperative Society. This provision was, also, not part of the **Multi-State Cooperative Societies Act, 1984**.

Ideologically speaking , the Bye-laws represent self-imposed constitutional frame work for the members and any power to effect amendment, therein, must, therefore, ordinarily vest with the members of the society. A seminar held by NCUI under the chairmanship of Sri-Jeyaprakash Narain in New Delhi in 1959 felt that the provision of imposing bye-laws on a Society without the consent of its members was really extra-ordinary and cut at the very root of Cooperation.²⁴

The working Group on Cooperation, Administrative Reforms Commission (1968) observed;

"The provisions that militate against the autonomous character of the cooperatives relates to powers given to the Registrars under the cooperative Acts to direct amendment of bye-laws of societies and to bring about compulsory amalgamation/division of societies."²⁵

The **National Policy** regarding Cooperative Development adopted by the conference of State Ministers of Cooperation and issued by the Government of India in 1978 specifically demanded the removal of this provision in Article 5 of the Actions Points.^{25A}

The **Rajya Sabha Committee on Sub-ordinate Legislation** (1984) recommended:

"The Societies, which are autonomous under the Act and the Rules made thereunder, should be left free to make, amend and follow their own bye-laws, so far as, they are in conformity with the provisions of the Act and Rules. The Registrar should not interfere in the adoption or operation of the bye-laws by a particular society, if they are in consonance with the Act and the Rules."²⁶

The Committee on Cooperative Law appointed by the Government of India in 1987 viewed that the provisions for compulsory amendment of bye-laws which were initially made in the Cooperative Societies Act, so as to ensure uniformity and facilitate reorganisation for the development of credit and marketing, have outlived their utility and, therefore, recommended that such provisions should be deleted, wherever they exist.²⁷

The **Seventh Indian Cooperative Congress, 1976,**²⁸ the **Eighth Indian Cooperative Congress, 1979,**²⁹ the **Ninth Indian Cooperative Congress, 1982,**³⁰ the **10th Indian Cooperative Congress, 1985** and the **11th Indian Cooperative Congress, 1989,**³¹ all recommended the removal of this provision. There can be no two

opinion that the power given to the Registrar to direct amendment of Bye-laws of a Cooperative Society violates Democratic Control and should be rescinded.

POWER TO DIRECT AMALGAMATION

SECTION 14

Where the Registrar is satisfied that it is essential in public interest or in the interest of the Cooperative Movement, or for the purpose of securing the proper management of any registered society, that two or more registered societies should be amalgamated, then, notwithstanding anything contained in Section 13 but subject to the provisions of this section, the Registrar may, by order notified in the Tamil Nadu- Government Gazettee, provide, for the amalgamation of these societies into a single registered society with such constitution, property rights, interests and authorities, and such liabilities duties and obligations as may be specified in the order.

Similar provision was first included in the **Madras Cooperative Societies Act, 1932** through an amendment in 1958 (Section 13(c))³² This provision was included to accelerate the conversion of Rural Credit Societies into large sized Societies. The **Rural Credit Survey Committee 1954** which recommended the formation of large-sized Societies was not in favour of compulsory amalgamation.

The Committee observed that "If a village society wished to continue as an independent entity, it should not be forced to amalgamate"³³ This provision was not originally included in the **TNCS Act 1961**.³⁴ Later, through Presidential Act I of 1977, this provision was inserted. This provision was also found in **Andhra Pradesh Cooperative Societies Act, 1964** (Section 15), **Uttar Pradesh Cooperative Societies Act, 1965** (Section 125), **Maharashtra Cooperative Societies Act, 1960** (Section 18-B), **Kerala Cooperative Societies Act, 1969** (Section 14(8) and **Jammu and Kashmir Cooperative Societies Act 1969** (Section 14-A).

This provision violates the principle of voluntary association and Democratic Control. A Cooperative Society is a voluntary association and therefore the formation of a new Cooperative Society by compulsory amalgamation of two or more Societies without the consent of the members of these Societies is an anti-thesis of a Cooperative Society.

The **Committee on Cooperative Law** (1965) observed like this in this regard: "Therefore, what is necessary is not a provision in the Act which will facilitate

amalgamation of societies against the wishes of their members, but a provision that will facilitate such amalgamation, if the members so desire."³⁵

The **working Group on Cooperation Administrative Reforms Commission** (1968) observed that the statutory power of the Registrar to direct amalgamation or division was repugnant to the voluntary and democratic character of the Cooperative Institution.³⁶

Later the **Rural Credit Review Committee** 1969, addressing the problem of attaining viability felt that, as a last resort, the Cooperative department should not hesitate to use statutory powers, where they are available.³⁷ The **Multi-State Cooperative Societies Act**, 1984 does not provide for compulsory amalgamation or division. The **Draft Act**, (1990) prepared by the **Planning Commission** did not include such a provision.

The **Cooperative Law Committee**, 1987, viewed that compulsory amalgamation and division of societies as a general rule should be deleted and that the power of effecting re-organisation in special circumstances may vest in the Registrar.³⁸

A **Constitution Bench** comprising of Justice D.A. Desai, Justice O. Chinappa Reddy, Justice Venkataramiah and Justice Ranganath Misra upheld the

validity of Section 13(8) of the **Punjab Cooperative Societies Act** which provides for compulsory amalgamation of Societies, if necessary.³⁹

The compulsory amalgamation provision is still retained in the **TNCS Act, 1983** as well as in other State Acts, Foreign experience provides a different direction. The Independent commission which had been appointed to recommend measures to put the British Consumer Movement on sound lines, while agreeing that the reorganisation of the movement was an urgent necessity, refrained from suggesting compulsory amalgamation on the ground that it would restrict the ultimate sovereign right of a society to decide its own destiny.³⁹ A In Japan, the Government enacted **The Amalgamation Aid Law** in 1901 with the object of encouraging and expediting amalgamation of Agricultural Cooperatives and assisting the Societies so amalgamated in establishing a solid foundation to ensure effective business management. But the law did not have any provision whatsoever to compel the Societies to amalgamate. It rather ensured that the Societies had the fullest freedom of decision.⁴⁰

Despite these experiences and the unambiguous indication by the National Development Council (1958)

the Government of India,⁴¹ The **National Policy** regarding Cooperative Development,⁴² and the successive Indian Cooperative Congress resolutions (1976, 1979, 1982, 1985, 1989)⁴³ the provision is continued to be retained in the **Tamil Nadu Cooperative Societies Act, 1983** and in the Acts of other States.

2.5.4. COMPULSORY ARBITRATION IN DISPUTES

SECTION 90(1);

DISPUTES; - If any dispute touching the constitution of the board or the management or the business of a registered society (other than a dispute regarding disciplinary action taken by the competent authority constituted under subsection³ of Section 75 or the Registrar or the society or its board against a paid servant of the society arises:

(a) among members, past members and persons claiming through members, past members and deceased members.

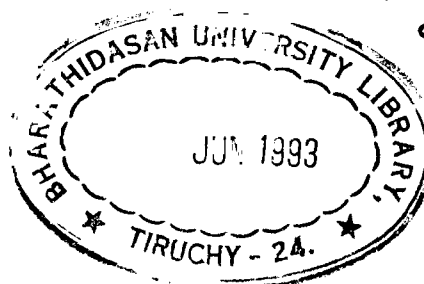
(b) between a member, past member and person claiming through a member, past member or deceased member and the society, its board or any officer, agent or servant of the society or

(c) between the society or its board and any past board, any officer agent or servant, or any past Officer, past agent or past servant or the nominee, heirs or legal representatives of any deceased Officer, deceased agent or deceased servant of the society or

(d) between the society and any other registered society, such dispute shall be referred to the Registrar for decision

Similar provision was found in the **TNCS Act 1961 (Section 73), Andhra Pradesh Cooperative Societies Act, 1964 (Section 61), Maharashtra Cooperative Societies Act, 1960 (Section 90,91) and Uttar Pradesh Cooperative Societies Act, 1965 (Section 70).**

The **Cooperative Societies Act, 1912** did not have such a provision in the body of the Act but the Rules provided that the "disputes may be referred".⁴⁴ The **Committee on Cooperative Law, 1956** observed that the settlement of disputes outside would entail prolonged and expensive litigation and therefore, felt that this important provision should find a place in the Act itself and that it should be specifically stated that no court should have jurisdiction to entertain any suit or other proceedings in respect of such a dispute.⁴⁵



Consequently the **Committee** included a Chapter (Chapter IX) on disputes in the **Model Bill, 1957**, which later on formed the basis for the relevant provisions on disputes in the various State Acts.

Thus, the Registrar, already empowered fully with powers of control, supervision, audit and giving of directives and superseding the committee of the Cooperative Societies, is also armed with full judicial powers. In one stroke the jurisdiction of the law courts over cooperatives is withdrawn.

The provision of compulsory Arbitration deprives the Society of its right of independent action. It should be free to seek normal legal redress if it so wishes. Arbitration by Mutual Consent is all that is required and this would be in accordance with the Principle of Democratic control.⁴⁷

Here it is worthwhile to narrate the arrangement for disposal of disputes in the State of Maharashtra. Maharashtra has established **Cooperative Courts** in every district, presided over by qualified judges. All cases referred to the Registrar are transferred to such

courts, which follow the Rules of Justice, equity and good conscience in procedural matters and have been instrumental in restoring confidence in public. 48

The **Model Cooperative Societies Act (1990)** drafted by the **Planning Commission** has the following provision.

SECTION 41

The State Government may, by notification in the official gazettee, constitute Cooperative Tribunals for the adjudication of disputes including appeals under this Act, provided that the tribunal shall be presided by a Judicial Officer not below the rank of district Judge.

This is to ensure expeditious decision in the matter and to create faith in the objectivity of the Judgement. The **Tenth Indian Cooperative Congress, 1989**, recommended that Tribunals should be set-up in each State to decide disputes/appeals in the Cooperative Societies. This was considered necessary to ensure dispensing of independent and impartial Justice.⁴⁹ The provision for compulsory arbitration should, therefore, be amended to permit the Cooperatives to seek the Registrar's arbitration, if they so wish.

If arbitration by Registrar proves good, the members may decide in favour of arbitration by Registrar than costly courts every time.

2.5.5. POWER TO CONTROL LENDING, BORROWINGS AND INVESTMENT OF FUNDS

2.5.5.1. Restrictions of Loans

SECTION 66 (1):

A Registered society shall not make a loan to any person other than a member:

provided that, with the general or special sanction of the Registrar, registered society may make loans to another society:

provided further that a registered society may make such loans as may be specified in the bye-laws to any of its paid employees.

(2) Notwithstanding anything contained in Sub-section (1) -

(a) a registered society may make a loan to a depositor on the security of his deposit.

(b) a financing bank may provide overdraft to, or discount bills and cheques of depositors subject to such limits and conditions as may be prescribed:

(c) a financing bank may make a loan to depositors on the security of gold Jewels and silver ware, subject to such limits and conditions as may be prescribed.

- (3) The Government may, by general or special order, prohibit or restrict the lending of money on mortgage of immovable property by any registered societies.

2.5.5.2. INVESTMENT OF FUNDS

SECTION 68

Subject to the provisions of Sub-section (3) of section 66, a registered society may invest or deposit its funds in -

- (a) the shares or deposits of financing bank, or
- (b) the shares or deposits of any Cooperative bank or
- (c) the shares or securities of any other registered society.
- (d) any of the securities specified in section 20 of the Indian Trust Act, 1882 or
- (e) any other mode as may be prescribed:

Provided that no such investment shall be made in any manner as aforesaid, other than in the shares or deposits of the financing bank, except with the general or special sanction of the Registrar subject to such terms and conditions as may be specified by him.

The Cooperative institutions, being democratic, have to be safeguarded in respect of their business dealings, by restrictions in that behalf, as regards their properties

and funds. Such provisions are desirable, so long as, they do not infringe on the democratic character of the institutions. What is found disturbing has been the provision that the Societies should obtain the Registrar's approval for lending as well as for the investment of the funds.

But, such a provision was found in the **Cooperative Societies Act, 1912** (Restrictions on loans Section 29) and a similar provision, placing restrictions on investment, was found in **Model Rule 21(i)**. Registrar's approval was needed for lending (Section 56) and investment (section 54) as per **Model Bill** framed by the **Cooperative Law Committee, 1956**. The **Cooperative Law Committee (1987)**, was silent as regards these provisions. Provision for approval of Registrar in certain cases relating to lending (Section 58) and investment (Section 60) was also found in the **TNCS Act, 1961**. Similar provisions were also found in almost all the State Acts in India.⁵⁰

The **Multi-State Cooperative Societies Act, 1984** passed by the Central Government also required the approval of the Registrar (Section 62) for investment in other institutions. But the **Model Act (1990)** framed by the **Planning Commission** did not confer any regulatory powers upon the State Government or

Registrar. The existing regulatory powers have been removed. It only provides certain broad guidelines relating to borrowings and investment.

Barring some broad guidelines, subjecting a Society's decision in matters of lending and investment of funds to the approval of any external authority violates the principle of Democratic Control and as such, these provisions should be removed.

2.5.6. POWER TO ISSUE DIRECTIVES

SECTION 181:

(1)Where the Registrar is satisfied that in the public interest or for the purpose of securing proper implementation of Cooperative production and other development programmes approved or undertaken by the Government or secure the proper management of the business of any class of registered societies generally, or for preventing the affairs of any registered society being conducted in a manner detrimental to the interests of members, or of the depositors or the creditors thereof, it is necessary to issue directions to any class of registered societies generally or to any registered society or registered societies in particular, he may, by order issue directions to them from time to time and all registered societies or the registered society concerned, as the case may be, shall be bound to comply with such directions.

The Registrar who is entrusted to regulate, control and streamline the activities of the Cooperative Societies in the best interest of balanced, allround growth and development of the movement in the State, has also been authorised to use and exercise his legal power under Section 181 of the Act whereby the Societies may be forcefully directed to cooperate and co-ordinate.

This provision did not form part of the **TNCS Act, 1961** when it was enacted, but later on it was inserted by **Act 39 of 1971**. Similar provisions were found in the **Andhra Pradesh Act, 1964 (Section 131)**, the **Maharashtra Cooperative Societies, 1960 (Section 79(A))**, **Gujarat Cooperative Societies Act, 1961 (Section 160)** and in many other State Acts.

The **Committee on Cooperative Law, 1956** considered that giving directions to Cooperatives would amount to interfering in the day-to-day working of the Society and therefore considered it unnecessary to make statutory provision in both the **Model Bill and Model Rules.**⁵¹

The **committee on Cooperative Law, 1987** observed that Government has the power to issue directives in

respect of Public Sector Organisations, which are owned by it and that the same practice had been sought to be extended by some governments to cooperatives.⁵² The Committee recommended that "General power to issue directives to a Cooperative unconditionally may be deleted."⁵³ However the committee conceded that "if public, national or general cooperative interest necessiate such issue of directives, it should be precisely laid in the Act"⁵⁴ But the Committee wanted interaction with cooperative opinion before the issue of directives.

Unfortunately the Central Government which has been demanding the removal of such a provision from the State Acts included such a provision in the **Multi-State Cooperative Societies Act, 1984**, vide section 47. But such a provision was omitted by the framers (Planning Commission) of the **Model Cooperative Societies Act(1990)**.

But the **National Policy Resolution** regarding Cooperative development categorically demanded the removal of such provisions from the State Acts through Article 5 of its Action Points.⁵⁵ The **Indian Cooperative Congress**, held once in three years, demanded the removal of this provision specifically in the **7th**

Congress held in 1976.⁵⁶ Since then the demand has been repeated in every congress till 1989 when the 11th Congress was held in New Delhi.⁵⁷

This provision, to issue directives, militates against the Principle of Democratic Control. The provisions governing the powers to exempt the Societies from conditions as to registration (Section 168), Registrar's power to enforce performance of duties (Section 166), restriction on purchaser (Section 180 (3)) and power of the financing bank to proceed against a member of registered society are not in conformity with the best traditions of the Cooperative Movement. Along with the Power to issue directives, that provisions also should be rescinded.

2.5.7. UNIVERSAL MEMBERSHIP

Qualification for membership of Society.

Section 21(1) (a)

- i) any individual competent to contract
- ii) any other registered society
- iii) the government
- iv) any body of persons approved by the Government by general or special order.

SECTION 21(2)(i):

In case of every registered society every individual eligible for admission as a member of any such society under the provisions of this Act, the rules and the bye-laws of the society shall on application made in such form and in such manner as may be prescribed, be admitted by the board as a member of the society with effect from the date of receipt of such application in the office of such society:

Provided that the board may, for good and sufficient reasons to be recorded in the minutes of the meeting at which the application for admission is considered, refuse admission to any individual and the decision of the board shall be communicated to the individual.

Provided further that if the decision of the board on the application is not communicated to the individual within a period of sixty days from the date of receipt of the application in the office of the society the individual shall be deemed to have admitted as a member of such society, on the sixtieth day after the date of receipt of the application in the office of the society.

(ii) Notwithstanding anything contained in clause (i) or in any other provision of this Act, the Registrar may, either su moto or on application at any time, by order and after recording reasons

in writing, remove any individual deemed to have been admitted as a member of the society under clause (i) from such membership, if such individual is not eligible to be a member of such society under the provisions of the Act, the rules and the bye-laws of the Society.

There was no provision for deemed membership or universal membership under the **Cooperative Societies Act, 1912**. This provision was first introduced in the **TNCS Act, 1961** vide Section 17(2) wherein this was restricted to Credit, Distributive and Marketing Societies only. Similar provision was also found in **Andhra Cooperative Societies Act, 1964** (Section 19(3)), **Punjab Cooperative Societies Act, 1961** (Section 15) and **Uttar Pradesh Cooperative Societies Act, 1965** (Section 26-A) and other State Acts. But in the **Model Cooperative Societies Act, (1990)** framed by the **Planning Commission**, the question of admission to membership was entirely left to a society and the Registrar has no powers in this regard.

Any discussion on Democratic Control should revolve round membership. Membership of a Cooperative should be available to all without any artificial restriction. Only those persons should join the

Cooperative Societies and use their facilities, who feel that they want to belong to the Cooperative group and who decide to takeover the obligations and rights of a member.⁵⁸ Cooperative Societies as mutual self-help organisations can only exist in the longrun only if the members voluntarily conform to the Rules of Conduct.⁵⁹ I In this context, voluntarism means that a Cooperative Society is free to decide with whom they want to work together in future. This is essential because the proper functioning of a Cooperative Society is largely dependent on the personal quality of members.⁶⁰ However, this right is conditioned by the Principle of Open Membership.

After the 'seventies, the policy of the government has been to open the doors of the Cooperative Society to weaker sections of the population. This was first mooted by the All India Rural Credit Review Committee (1969)⁶¹ and later on endorsed by the CRAFTICARD⁶² (1980). The views of the 7th Cooperative Congress on this subject is worth noting:

"Cooperatives of all types should strictly observe the principle of open membership under which every person requiring the services of a Cooperative and in a position

to utilise the same should be admitted as its member"⁶³

The Congress was against the provision of indiscriminately extending Cooperative Membership to the weaker sections, under which persons eligible to be members of a Cooperative are deemed to be its members, unless they opt out of the membership or the society proves that a particular person is not desirable as a member.

The Congress further observed:

" Since membership of a Cooperative Society carries with it obligations and liabilities besides rights and privileges, such presumptive membership is likely to cause hardship, by imposing liabilities on persons who may not be understanding the implications of membership. Therefore such a provision needs to be deleted from Cooperative Law."⁶⁴

Hans H. Munkner has stated that voluntary membership ensures that the interests of the individual member and interests of the Cooperative Society remain parallel and do not contradict each other. For him it was one of the conditions for viability. Any interference with these regulatory mechanism of voluntary membership such as compulsory membership or excessive limitations of rights of members to withdraw from the society might have serious effects on the functioning of the society.⁶⁵

So provision 21(2) of the **TNCS Act, 1983** would be against the concept of voluntary association and Democratic Control. So, while the objective of helping the weaker-sections of the society is laudable, the purpose could not be served by merely making them as members.

CONCLUSION

The general meeting of members of a Cooperative Society is the supreme authority in regard to conduct of the affairs of the society. This has been provided for in the **Cooperative Societies Acts** of all the States. But there is hardly a matter in which it possesses a sovereign authority. In some of the instances studied the authority is not only eroded but subordinated. The sanctity of its authority has been stepped upon too often and at too many places. The progressive erosion of the Cooperative autonomy, an essential element of a Cooperatives' democratic character, which began with the modifications of Cooperative laws inspired by the Rural Credit Survey Report of 1954 has steadily aggravated over the years. The powers given to the Registrar such as (i) the Power to Approve Budget, (ii) Call a General Meeting, (iii) effect Amendment of bye-laws, (iv) direct

amalgamation, (v) do Compulsory Arbitration in Disputes, (vi) control lending, borrowing and investment of funds, (vii) issue Directives, and, (viii) permit Universal Membership directly interfere in the working of the General Body and as such undermine the Cooperative character of these institutions. These provisions were retained in the **Cooperative Societies Acts** of almost all the States despite demand for their removal by the Central Government and **Indian Cooperative Congress**. A Cooperative Society is essentially a voluntary organisation designed to serve its members economically and socially in terms of the Principles of Cooperation. It is neither public body nor a creature of statute. A self-reliant Cooperative Movement would be a reality only when the members were given the responsibility to manage their own affairs.

Notes

1. Dr. Gunther Aschhoff and Eckart Hennigen, **The German Cooperative System**, 1986, p.110.
2. M.P. Singh, Cooperatives some basic pre-conditions for success, **Anthology of Cooperative Thought Vol.I**, 1977, p.49.
3. Marvin. A. Schaars, **Cooperatives - Principles and Practice**, 1970-71, p.17.
4. Ibid., p.18.
5. Hans. H. Munkner, **Cooperative Principles and Cooperative Law**, 1985, p.46.
6. Ibid., p.62.
7. Hans. H. Munkner, **Six lecturers on Cooperative Law**, 1977, p.48.
8. R.V. Nadkarni and N.M. Belsare, **Study of Recent Changes in Cooperative Laws in Indian and their significance for the democrtic Management of Cooperatives**, 1974, p.8.
9. R.C. Dwivedi, **Glimpses of Cooperative Through Press**, 1986, p.22.
10. AARRO, **Cooperative Legislation for Agro-Asian Countries**, 1966, p.13.
11. Bruce Thordarson, **Collaborative Approaches to Cooperative Development**, Feb.1, 1991, p.376.
12. R.D. Dwivedi, Op.cit., p.22.
13. P.E. Weeraman, R.C, Dwivedi and P. Shesadri, **Indian Cooperative Laws Vis-a-vis Cooperative Principles**, 1973, p.60.
14. R.D. Bedi, **Law for Cooperatives**, 1982, p.14.
15. Ibid., p.30.
16. G.N. Ostergaard and A.H. Halsey, **Power in Cooperatives**, 1965, p.8.
17. GOI, **Report of thé Committee on Cooperation**, 1965, p.7.
18. Marvin, A. Sharrar, Op.cit., p.19
19. Hans. H. Munkner, **Cooperative Principles and Cooperative Law**, 1985, p.56.

20. GOI, Report of the Committee on Cooperative Law, 1956, p.15.
21. Indian Cooperative Union, Cooperative Law, 1960, p.29.
22. R.D. Bedi, Op.cit., p.8.
23. Prof. R.V. Nadkarni & N.M. Belsare, Op.cit., p.24.
24. Indian Cooperative Union, Cooperative Law, 1960, p.19.
25. GOI. Report of the working group on Cooperation, Administrative Reforms Commission, 1968, p.635.
- 25.A. M.A. Deshmukh (ed), Proceedings of 3rd National Seminar on Cooperative Law, Administration and Development, 1980, p.9.
26. R.C. Dwivedi, Op.cit., p.65
27. GOI. Report of the Committee on Cooperative Law, 1987, p.9.
28. NCUI, Proceedings of the 7th Indian Cooperative Congress, 1976, p.48.
29. NCUI, Proceedings of the 8th Indian Cooperative Congress, 1979, p.29.
30. NCUI, Background Papers - PART-I, 9th Indian Cooperative Congress, 1982, p.16.
31. NCUI, Background Papers- PART-I, 11th Indian Cooperative Congress, 1989.
32. R.V. Nadkarni and N.M. Belsare, Op.cit., p.34.
33. M.D. Vidwans, Cooperative Law in India, 1969, p.91.
34. Ibid., p.90.
35. GOI, Report of the Committee on Cooperative Law, 1956, pp.13-14.
36. GOI, Report of the Working Group on Cooperation, Administrative Reforms Commission, 1968, p.316.
37. R.V. Nadkarni and N.M. Belsare, Op.cit., p.37.
38. GOI, Report of the Committee in Cooperative Law, 1987, p.
39. R.C. Dwivedi, Op.cit., p.152.
- 39.A. R.V. Nadkarni, and N.M. Belsare, Op.cit., p.38.
40. Lionel Gunawardana, Amalgamation of Primary Cooperatives - The Japanese experience, 1972. pp.28-30.
41. R.V. Nadkarni and N.M. Belsare, Op.cit., p.36.

42. M.A. Deshmukh (ed) Op.cit., p.9.
43. NCUI, **Background Paper - Part I, 11th Indian Cooperative Congress, 1989, p.9.**
44. B.B. Trivedi, **Law and Management of Cooperatives, 1975, p.121.**
45. GOI, **Report of the Committee on Cooperative Law, 1956, p.21.**
46. Ibid., pp.93-94.
47. P.E. Weeraman, R.C. Dwivedi, and P. Shesadri, Op.cit., p.77.
48. R.D. Bedi, Op.cit., p.163.
49. NCUI. **Background Papers - PART-I, 10th Indian Cooperative Congress, 1989, p.9.**
50. P.E. Weeraman, R.C. Dwivedi and P. Shesadri, Op.cit., p.71.
51. GOI, **Reports of the Committee on Cooperative Law, 1956, p.16.**
52. GOI, **Report of the Committee on Cooperative Law, 1987, p.11.**
53. Ibid., p.11.
54. Ibid., p.11.
55. M.A. Deshmukh (ed) Op.cit., p.9.
56. NCUI, **The Proceedings of the 7th Cooperative Congress, 1976, p.48.**
57. NCUI, **Background Papers - PART-I, 11th Cooperative Congress, 1989, p.7.**
58. Hans. H. Munkner, **Six Lecturers on Cooperative Law, 1977, p.25.**
59. Hans. H. Munkner, **Cooperative Principles and Cooperative Law, 1985, p.50.**
60. Ibid., p.61.
61. A.D. Puranik, **"Analytical Note on the Cooperative Movement in India with reference to Agricultural Sector", Maharashtra Cooperative Quarterly, July, p.10.**
62. R.K. Kaul, **Institutional Choice in Rural Credit Programmes, Tamil Nadu Journal of Cooperation, Oct.1984, p.121.**
63. NCUI, **Proceedings of the 7th Indian Cooperative Congress, 1976, p.49.**
64. Ibid., p.49.
65. Hans. H. Munkner, Op.cit., p.51.

CHAPTER - III

THE EROSION OF POWERS OF THE BOARD

3.1. INTRODUCTION

Democracy in business implies that those who control must themselves choose, on the basis of equality, those who may manage.¹ The members elect their managers periodically and ensure that they enjoy delegated powers which are limited both in extent, as well as, duration. In Cooperative Societies, the persons in charge of the management face the difficult task of managing the affairs of the Cooperative enterprise in such a way that the interest of the members are met and yet the Cooperative enterprise builds up and maintains a solid financial basis.² The duties of the Board, as described by Hans. H. Munkner, are:

1. To abide by the Bye-laws and Resolutions of general meetings. However, the Committee can exercise powers conferred upon it under the Bye-laws.
2. To exercise prudence and diligence in the conduct of affairs of the Society and be held responsible for wrongful acts.
3. To be loyal to the Society.
4. To provide information on the affairs of the Society to the members, Registrar, etc.³

The Board of Directors has, therefore, the full competence to conduct the business of the Cooperative Society on its own responsibility. But the element of non-professional management has long been considered to be the built-in weakness of the Cooperative enterprise as regards business efficiency. The **Independent Commission** (1955) observed that a perennial problem was how to combine democratic control with managerial efficiency. The commission did not agree with some critics who put the blame on the low calibre of the elected Boards of Management for all the ills of the Cooperative Movement.⁴ Though managerial abilities are a sine qua non for successful cooperative development, the lack of professional expertise on the part of elected management could be compensated by employing full-time paid-managers so that the members in general meeting, the Committee and professional management could be seen as a team.⁵

The affairs of a Cooperative Society should be administered in accordance with the democratically expressed will of the members, by persons elected or appointed, in a manner agreed by the members and accountable to them. There should be no outside control in the decision-making process of the Board. Government intervention, made with the noble objective of bringing efficiency, might

create artificial efficiency, but this would prevent economic efficiency arising from within the organisation and ultimately destroy the Cooperative character of the organisation in question.⁶

3.2.1. EROSION OF POWERS--THE CAUSES

The progressive erosion, over the past three decades, of the Cooperative autonomy, an essential element of the Cooperatives' democratic character, began with the modifications of the Cooperative Laws prompted by the **All India Rural Credit Survey Report** of 1954. The **Rural Credit Survey Committee** had found that the Cooperatives of the weak were pitted against powerful interests both rural and urban. In their struggle they were inadequately supported by the State but were over administered. Therefore they recommended State Partnership in addition to other forms of assistance by way of loan, subsidies, etc. Accordingly, the government adopted the policy of effective State aid to the Cooperatives. But the policy of State aid did not envisage the extension of government hold over the Movement. The **Committee**, while recommending State partnership had also limited government's representation in the Boards to 1/3 or 3, whichever be less. That the **Committee** did not want government control over the Movement was clear from its assertion that

every precaution was to be taken to "safeguard the essential character of the institution in which such participation takes place without interference in its day-to-day working."⁸ The **Committee on Cooperative Law**, (1956) translated the recommendations of the **Rural Credit Survey Report** (1954) into sections of Cooperative Societies Act (Chapter VI).⁹ This started the erosion of powers of the **Committee**.

3.2.2. **CONFERENCE OF CHIEF MINISTERS AND STAFF MINISTERS OF COOPERTION, 1968**

A feeling was developing during the 'sixties that the services of the Cooperatives were being cornered by vested interests and that they were not allowed to percolate down to the weaker sections of the society whom they ought to reach. It was in this background the Conference of Chief Ministers and Staff Ministry of Cooperation was held at Madras in 1968. The Conference suggested important legislative measures for adoption by the State governments. The objective was to prevent the domination of Cooperatives by a group of individuals and at the same time ensure proper safeguards for the participation of weaker sections of the community. The suggestions included:

- i) Exclusion of money-lenders, etc. from becoming members of the cooperatives.
- ii) Reservation of seats on the Board of Management for the weaker sections and back-ward class members.
- iii) Restriction on holding office for more than the prescribed period.
- iv) Restriction on holding office simultaneously in more than specified number of institutions.
- v) Regulation of loan to office-bearers.
- vi) Conducting elections by an independent authority.¹⁰

These restrictive provisions found their way into the Cooperative Societies Acts of different States only after the Madras Conference. This was done, despite the categorical recommendation against inclusion of provisions such as restriction on holding office for more than the prescribed period and holding office simultaneously in more than specified number of institutions by the **Committee on Cooperation** (1965).¹¹

3.2.3: PROFESSIONAL MANAGEMENT

The concept of professionalisation in management refers to the training and development of management

personnel, essentially for the exercise of managerial powers. It was felt that the reasons for the failure of Societies was bad management. It was assumed that Cooperative growth cannot be sustained by increased dosage of monetary and other resources into the institutions. The factors that chiefly contribute to the growth of Cooperatives are professional orientation to management and control.^{11-A} The Government of India recommended the introduction of common cadres in respect of certain Societies in the 'sixties. With the increase in the role of Cooperatives, the complexity of Cooperative management increased. The State Governments amended their laws to include provisions relating to the employees of the Cooperative Societies in the main body of the Act.

3.2.4. NATIONAL COOPERATIVE POLICY RESOLUTION 1977

The Government of India placed a **Draft Resolution on the National Cooperative Policy** at the Conference of the State Ministers of Cooperation. Taking into account such suggestions, as were received from the State Ministers at the conference as well as later, the **Resolution** was finalised by the Government of India and issued in February 1978. Though Cooperatives have been given a

role in the planned economic development of the country, no clear cut policy had been spelt so far. The **Resolution**, for the first time, provided the basis for State action in respect of Cooperatives in future. The **Action Points** of the **National Cooperative Policy Resolution** in Article 5 states:

"The Cooperative Movement shall be built up as an autonomous, self-reliant movement, free from undue outside interference and excessive control as also from politics."¹³

Did the **National Cooperative Policy Resolution** make a significant contribution towards the restoration of vibrant Cooperative Democracy? According to Nadkarni the **Resolution** indicated how the Cooperative Movement in the country should be built up, developed or promoted so that it would be associated with the process of planning for economic development, that it would be "cleaned of corruption and malpractices" and that professional Management would be built-up in the Cooperative Institutions.¹⁴ The attitude of the State towards the Cooperative Movement was one of 'building up' rather than 'help to build'. So the restrictive provisions continued to be retained in most of the State Acts which heavily eroded the powers of the Board. The Central Government itself was not above criticism as was observed by **The Cooperator**:

"The Central Government has come out with the Multi-State Cooperative Societies Act, 1984 which contrary to expectations of the movement is more restrictive in regard to cooperative democracy and autonomy. It imposes more restrictions on the elected management of cooperatives than were visible, hither to".¹⁵

The saga, of restrictions, has continued unabated. In the following pages, an attempt is made to analyse the provisions in the **Tamil Nadu Cooperative Societies** (hereinafter **TNCS**) Act, 1983, which have eroded the powers of the Board.

3.3. THE MANAGEMENT SHALL VEST IN A BOARD

SECTION 33 (a)

The Management of every registered society shall vest in a board constituted in accordance with the provisions of this Act, the rules and the bye-laws, which shall exercise such powers and perform such duties as may be conferred or imposed on it by this Act, the rules and the bye-laws.

The expression, "shall vest" is significant meaning that the management, so vested, cannot be interfered with by the General Body.¹⁶ But, such a clause should find place

in the Bye-laws and not in the body of the Cooperative Societies Act. The **TNCS Act, 1961** in Section 27(1) has a similar provision. But the **Model Bill** prepared by the **Cooperative Law Committee, 1956** did not contain such a provision. **The Model Cooperative Societies Act, (1990)** prepared by the **Planning Commission** also includes a provision, i.e. Section 29, whereby the Act confers the power to the Committee. Similar provisions has also been found in the other State Acts. Such a provision, by itself, will not infringe on the powers of the Board if the Act does not confer any powers to any external authority to interfere in the working of the Board. But that was not done.

3.4.1. POWER OF NOMINATION

SECTION 33(2)

Notwithstanding anything contained in sub-section (1)--

(A) in case of every scheduled cooperative society specified in A* the board shall consist of:-

a)i) such number of members elected from such area or from such class or category of registered societies as may be prescribed

ii) such number not exceeding three as may be prescribed, of experts nominated by the prescribed authority;

iii) the prescribed number of members being the nominees of the prescribed apex societies or the prescribed central societies or such other prescribed interests relating to the functioning of the scheduled Cooperative Society concerned.

b) the Managing Director, appointed under sub-section(7); and

c) such ex-officio members not exceeding three as may be prescribed;

B) in the case of every scheduled Cooperative Society specified in Part B* of the Schedule, the board shall consist of, -

a) i) such number of members elected from such area or from such class or category of registered societies as may be prescribed;

ii) one expert nominated by the prescribed authority.

iii) the prescribed number of members being the nominees of the prescribed apex societies or the prescribed central societies or such other prescribed interest relating to the functioning of the scheduled cooperative society concerned;

b) the Managing Director, appointed under sub-section;(7) and

(c) one ex-officio member as may be prescribed.

SECTION 33(4) (a) (ii)

Notwithstanding anything contained in sub-clause(i), the Government or the Registrar for the State, may nominate not exceeding one-third of the total number of members of the board of such society who shall be officers of the Government or specialists or technical experts, specially skilled in, or having special knowledge of, or experience in, matters connected with the business or objects of the registered society concerned.

3.4.2. POWER TO NOMINATE THE ENTIRE BOARD IF RULES OR BYE-LAWS PROVIDE**SECTION 33(b)**

Notwithstanding anything contained in clause (a) where the rules or bye-laws so provide, the Government or the Registrar may nominate all or any of the members of the board including the President and Vice-President from among the members of the registered society or from among the Government servants or both

Provided that no nomination shall be made in respect of all the members of the board

ii) for more than three years from the date of nomination in all other cases.

**3.4.3. POWER TO NOMINATE THE ENTIRE BOARD IN
PUBLIC INTEREST**

SECTION 33(4)

Notwithstanding anything contained in sub-section (1) or sub-section (2) or sub-section (8) of clause (b) of sub section (10), where the rules or bye-laws so provide, the Government or the Registrar for the State may, in the public interest, nominate the entire board including the president and vice president of any-

- i) Cooperative Sugar Mill
- ii) Cooperative Spinning Mill
- iii) Cooperative tea factory or
- iv) some other prescribed registered society in which the Government -
A) given financial or other assistance to the extent of not less than two-thirds of the loans, advances and deposits received by the society.

Provided that the power to nominate the entire board of such society under this clause shall not be exercised after the expiry of the period of five years from the date of the commencement of production or business for which the society is registered.

3.4.4 POWER TO MAKE ADDITIONAL NOMINATION

SECTION 33(8)

Where the government or a financing bank have or has taken shares in or given

financial or other assistance to, a registered society, the Government or the financing bank, as the case may be, may, notwithstanding anything contained in sub-section (1) or sub-section (2), nominate to the board of such registered society, not more than two members if such registered society is an apex society, and one member in other cases and where the Government or a financing bank nominate under this sub-section, then notwithstanding anything contained in sub-section (3), the number of members of the board shall stand increased by such number as is nominated under this sub-section.

The sweeping powers given to the Registrars/State Government under the **TNCS Act**, 1983 defies understanding. The Act prescribes the composition of the Committee, the Number of members of the Committee, and also the number of members to be nominated by the government. Apart from this the Act empowers the government to nominate the entire Board, if the Bye-laws or Rules so provide, to nominate the entire Board in respect of certain types of Societies for the initial period of five years in public interest and, that is not all, the government has got, also, the power to make additional nomination in respect of the Societies where government has contributed to the share capital or assisted in any other way. Rule 50 of the **TNCS Rule**, 1988, Vide

Vide Schedule II, prescribes the constitution of Board in every /Cooperative Society given in Schedule A and Schedule B of the TNCS Act 1983. Table 3(1) provides information regarding the composition of Boards of certain Apex, Central and Primary level Societies.

TABLE No.3. 1

THE COMPOSITION OF THE BOARD OF MANAGEMENT OF SOME MAJOR COOPERATIVES IN TAMIL NADU

Sl. No.	Type of Cooperative	Elected from among members	No. Nominees				Total
			Govt. Nominee	Paid Executive	Ex-officio	Nominees of other Coop.	
1.	Tamil Nadu State Cooperative Bank Ltd.	17	3	1	2	12	35
2.	Tamil Nadu State Cooperative Land Development Bank Ltd.	21	3	1	2	9	35
3.	Tamil Nadu Cooperative Union Ltd.,	27	1	1	2	6	37
4.	Tamil Nadu Cooperagive Marketing Federation Ltd	16	3	1	3	14	37
5.	Tamil Nadu Cooperative Consumer Federation Ltd	20	3	1	3	12	39
6.	Tamil Nadu Cooperative Housing Society Ltd.	22	1	1	3	8	35
7.	Tamil Nadu Handloom Weaver's Cooperative Society Ltd	16	3	1	3	14	37
8.	Central Cooperative Banks (Other than Nilgiris and Madras)	26	3	1	2	5	37
9.	Primary Land Development Banks	17	1	1	1	7	27
10.	Cooperative Urban Banks	17	1	1	1	5	25

COMPOSITION OF THE BOARD

Table 3(1) makes it clear that the government has established a strangle hold over the Apex, Central and certain Primary Societies through their power of nomination either directly or indirectly and with the additional powers conferred under section 33. The government could easily make the Cooperative dance to their tune even if the tunes are out of rhythm with the Cooperative Principles.

Under the Cooperative Principle of Democratic Control, there is no reference to government's role or participation in Cooperative administration. However, in its main body of the **Report**, the **ICA Commission** has recognised that, in the newly liberated countries, government aid in financial terms is a necessity. In the event of such aid being provided, the government representatives are eligible to sit on the Board of Management.¹⁷

The origin of the concept of nomination in Cooperatives in India could be dated back to 1954 when the **Rural Credit Survey Committee** recommended that, as a part of the scheme of State Partnership, there should be nominees of the government on the managing committee of the Societies in which the government contributed to the share capital.

As regards the extent of government nomination, the Committee had suggested that ordinarily not more than 1/3 of the seats on the board should be allotted to the government. But at the **All India Cooperative Congress** at Patna, held in March 1955, it was decided that government nominees should not be more than 1/3 of the members of the Board or 3 whichever, be less.¹⁸

The **Model Bill, 1957** prepared by the **Committee on Cooperative Law (1956)** extended the government power to nominate to cases where the state government might not have contributed to the share capital of a Cooperative Society, but through other form of financial assistance.¹⁹

SECTION 28 states that,

the state government or any authority specified by the State government in this behalf shall have the right to nominate not more than three members or one-third of the total members of the committee of the Cooperative Society, which ever is less.

Almost all the State Acts contained provisions similar to those recommended. The **TNCS Act, 1961** had a similar provision (Section 27(1)). The trend has been in the direction of increasing government nomination. The **U.P. Cooperative Societies Act (Section 34)** provides for a graded right of the

state to nominee whereby, if the State's contribution exceeds 60 per cent, the government can nominate two-thirds of committee members, including the Chairman.

The Andhra Pradesh Cooperative Societies Act (Section 31(1)) provides for the nomination of the entire board. The trend has not been unique to Tamil Nadu alone. But, the fact remains that the provisions relating to nominations found in the **Tamil Nadu Cooperative Societies Act, 1983** are repressive in nature.

Here the views of the **Committee on Cooperative Law for Democratisation and Professionalisation of Management in Cooperatives, 1987** are worth quoting:

"When State partnership in Cooperatives was accepted at the First Cooperative Congress, the guiding principles was that Government nominees should not exceed three or 1/3rd of the total number of members on the Board of a Cooperative, whenever, Government has contributed to the share capital. We would suggest that this understanding between the Government and the Cooperative Movement should be honoured and provisions in the Cooperative Societies Act should conform to the principle".²¹

Regarding the "Nomination of First Board" the **Committee** felt that it could be done only in respect of large, commercial and Industrial Cooperatives and that "even there the nomination should be for a period of one year, which could be extended for a further period of one year."²²

The **Seventh Cooperative Congress** recommended that the "number of persons, nominated should not exceed 1/3 or 3, whichever is less, irrespective of the quantum and nature of assistance given to them."²³ The **Congress** also wanted the Registrar's power to nominate the entire board under the Bye-laws should be removed.²⁴

The **Tenth Indian Coopeative Congress** wanted government assistance without strings. The **Congress** recommended: "It should be ensured that management in cooperative societies is elected by the democratic will of the members. There should be no nomination or cooption on the committees. The congress is of the view that government participation should be without any string and there should be least representation of the government on the management committee in lieu of state participation..."²⁵

The **Santhanam Committee**, 1969, appointed by the Tamil Nadu government, proposed to restrict nomination to only one in the case of Primary or Central Society and to not more than two in the case of the Apex Society.²⁶

The **Model Cooperative Societies Act** (1990) drafted by the **Planning Commission** did not contain provision for nominations.

Nomination, while considered a necessity from the Indian context, should not in any way infringe on the democratic character of the Movement. The Board members are accountable to the membership but the nominees to the Board are not. Further, it has been pointed out by the **Mirdha Committee** that the latter category do not contribute to the effective management of the Cooperative Society. This necessarily means that the restrictive features relating to nomination should be removed.

3.5. COMPULSORY SEATS FOR WEAKER SECTIONS

SECTION 33 (1)(a):

Provided, that in the board of every agricultural producers marketing society, credit society, consumer society, milk producers society and oil seeds growers

society and such other class or category of registered societies as may be prescribed, there shall be thirty percent representation for women and eighteen per cent representation for scheduled castes and scheduled tribes and if the representatives of women or scheduled caste and scheduled tribes are not elected to that extent, then, the prescribed authority may nominate in the public interest, from among members of the registered society, the representatives of women or scheduled castes and Scheduled tribes, as the case may be, to that extent.

Provided, further that in the board of every weaver's society there shall be thirty per cent representation for women and if, the representatives of women are not elected to that extent, then, the prescribed authority may nominate, in the public interest, from among the members of the registered society, the representatives of women to that extent.

Provided, further that nothing contained in the first proviso and the second proviso shall be deemed to prevent any women or the members of the scheduled caste and scheduled tribes for whom representation have been made there under in the board of any registered society from being elected to any of the seats in the Board of such registered society.

SECTION 33(b):

Scheduled Cooperatives -- provided that in the case of Scheduled Cooperative Societies, the majority of members of which are individuals, in the board of every such society, there shall be thirty per cent representation for women and eighteen present representation for Scheduled Castes and Scheduled Tribes and if the representatives of women or Scheduled castes and Scheduled tribes are not elected to that extent; then, the prescribed authority may nominate, in the public interest, from among the members, if available, of Scheduled Cooperative Society and if not available, from among the members of the Societies:

- i) affiliated to the societies or
- ii) affiliated to the societies which are affiliated to the scheduled Cooperative Society.

The representatives of women or scheduled castes and scheduled tribes, as the case may be to that extent.

Rule 50:: Representation to women and scheduled castes and scheduled tribes on the boards of societies - (1) The following classes or categories of societies shall be the other societies for the purposes of the first proviso to clause (a) of sub-division(1) of section 33, namely:

- a) agro-engineering society
- b) fisheries society
- c) housing society
other than house service
society
- d) industrial society
- e) labour contract society
- f) poultry breeding society
- g) processing society
- h) sheep breeding society.

The legal provision, laid down in section 33(1)(a)(b) regarding reservation of seats for weaker sections of the community and women on the Managing Committee of a Cooperative Society violates the autonomy of Cooperative Institutions. This measure was first suggested in the Conference of Chief Ministers and State Ministers of Cooperation held in Madras in 1968. The objective was to ensure that the economic benefits conferred by the Cooperatives flowed in a larger measure to the weaker sections of the community. Tamil Nadu is, probably, the first State which made a statutory provision for larger women representation in Board.

The **Model Bill (1957)**, framed by the **Cooperative Law Committee, (1956)** did not include such a provision. There were provisions in the rules framed under the **TNCS Act, 1961** giving representation on the Board to weaker sections

including scheduled castes and scheduled tribes and women by way of nomination. The **Andhra Pradesh Cooperative Societies Act, 1964** (Section 31) provides that in certain classes of Societies, one half of the members of the Committee shall belong to the scheduled castes, scheduled tribes, and other weaker-sections. **Kerala Cooperative Societies Act, 1969** (Section 31) has a similar provision. As per the **Punjab Cooperative Societies Act, 1961** (Section 20-A), the Registrar may direct a Committee of/^aSociety or class of Societies to coopt one or two persons on the Managing Committee from among the weaker sections. The **Madhya Pradesh Act, 1960** (Section 52-A) provides for representation to women. Similar provisions have been found in the other States Acts also.

Though the provision made is desirable, it should have been made voluntarily by the members themselves in which case the question of violation of autonomy would not arise and the act itself would then be a discipline freely adopted by the members. M.P. Singh observes: "Being democratic, Cooperation is essentially voluntary and therefore there is no element of coercion in cooperation, as both are contradictory terms. As such, within its own confines, Cooperation is already a class-free society, irrespective

of the social origins of its adherents. Voluntary Cooperation, Cooperation in its classic form, grows out of a conscious discipline freely accepted".²⁷

3.6. RESTRICTION ON HOLDING OFFICE IN SEVERAL SOCIETIES

SECTION 34 (4) (a)

No person shall at the same time, be a member of the boards of more than five registered societies

(b)

Subject to the provisions of clause (a), no person shall at the same time, be a member of a board of more than two apex societies or more than two Central Societies.

Restriction on the holding of office simultaneously in a number of institutions amounts to an infringement on the rights of the members to select the persons in whom they have confidence, for a particular office. The **Committee on Cooperation** (1965) observed: "Cooperative Societies being autonomous bodies with the ultimate authority for management vested in their general bodies, final authority must remain with the ^{members} to decide whether it is in the interest of their society to elect the same persons or group of persons..... There need be no restriction imposed from outside the Cooperative Movement."²⁸

Not how many institutions, wherein, a person is holding office but, how useful or otherwise he is in the Management of the Cooperative that counts more.

In the **TNCS Act**, 1961, the concerned provision was included after the conference of Chief Ministers held in Madras in 1968. The **Model Bill** (1957) in Section 32 (7) states: "The directors shall if the bye-laws so permit be eligible for re-election." So the **Model Bill** (1957) did not prescribe any statutory limitation. But now this provision is found in almost all the State Acts.

The **Andhra Pradesh Cooperative Societies Act**, 1964 provides (Section 21-A (2)) that no person shall at the same time serve as a member of the Committee of more than two Societies, not classified as Apex or Central, or one Central/Apex Society. The **Uttar Pradesh Cooperative Societies Rule** 453(1) prohibits membership of committees of more than three Societies. **Delhi Cooperative Societies Act**, 1972, (Section 31(5)) prohibits a person from holding office in more than three Cooperative Societies. Maharashtra was a bit late in falling in line with the rest of the country. However the Act was amended

in 1979 and a new Section 73-A, now provides that no person shall at the same time be a designated officer in more than one Society of the same category or of more than two Societies of different categories.

Multi-State Cooperative Societies Act, 1984, through Section 36, places restriction on holding office of President and Chairman or Vice-Chairman or Vice-President in more than one Multi-State Cooperative Society.

The committee on Cooperative Law (1987) observed: "Such restrictions are not applicable in respect of elections to Panchayats, local bodies, legislatures, parliament and also companies registered under the companies Act. To isolate Cooperatives for such restrictions appear to us to be not appropriate. We, therefore suggest the deletion of such restrictive provisions."²⁹

The **Indian Cooperative Congress**, held once in three years, has also been demanding the removal of such provision. The **Seventh Indian Cooperative Congress** recommended:

"The present restriction on the number of institutions in which a person can hold office simultaneously, are completely violative of the principle of democratic management and stand in the way of

Cooperatives enjoying the benefits of continued services of competent, experienced and dedicated leadership"³⁰

This view was again reiterated in the **Tenth Indian Cooperative Congress**: "The restriction of the term of office and number of societies in which the directors and office-bears are at present restricted for two terms/ two societies should be removed as these restrictions act against the principles of Cooperation."

The restriction, therefore, violates the principle of Democratic Control since it is the General Body that should have the power to elect any member to serve on the Society's Committee.

3.7. CONDUCT OF ELECTIONS BY THE GOVERNMENT

RULE 51 (1) Every Society shall at least ninety days prior to the date on which the term of office of the members of the board will expire report to the Registrar, the particulars of vacancies in the office of the members of the board that may arise to be filled up by elections. It shall also report to the Registrar the particulars of casual vacancy in the office of the members of the board that may arise within fifteen days of its occurrence.

- (2) The election of the members of the board of every society be conducted in the manner specified in this rule.
- (3)(a) The Registrar shall appoint as many officers of the government or officers subordinate to him as may be necessary, as election officers for conducting the election of members of the board. The Registrar may also appoint alternative election officer or officers.
- (4)(a) The Registrar shall fix the date of election and communicate a programme of election to the society and the election officer concerned atleast thirty days prior to the date of pole.

Rule 51 of the **TNCS Rules, 1988** gives wide powers to the Registrar to conduct elections in all types of Cooperative Societies. The Registrar is empowered to appoint Election Officers, fix the date of election and also decide the election schedule. The purpose behind the inclusion of such a provision was to ensure conduct of free and fair elections in Cooperatives. The Registrar's power to conduct elections in Cooperatives is an infringement of the principle of Democratic control. The election of officers of a Society is purely an internal matter of the society concerned. If a Cooperative Society is not allowed to conduct elections by itself it would tantamount to negation of autonomy.

The **Model Bill (1957)** framed by the **Cooperative Law Committee (1956)** did not include such a provision and as such, it was not included in the **TNCS Act, 1961**. But this provision was included in the **Act** after the conference of Chief Ministers held in Madras in 1968 which recommended conduct of elections by an independent authority. Such a provision is, now, found in almost all the State Acts in India. The **Andhra Pradesh Cooperative Societies Act, 1964** (Section 31(3)(a), the **Uttar Pradesh Cooperative Societies Act, 1965** (Rule 414), the **Maharashtra Cooperative Societies Act, 1960** (Section 73) and, the **Jammu & Kashmir Cooperative Societies Act, 1969** (Section 16-A1) provide for conduct of election by the Registrar/government in all types of Cooperative Societies or in certain classes of Societies. The **Multi-State Cooperative Societies Act, 1984** also provides power to the Central Registrar to conduct elections in respect of certain Societies.

The Committee on Co-operation (1965) had this to say on this subject:

"We do not consider it necessary to set up a separate election machinery for conducting elections to Cooperative institutions nor do we think this function should be taken over by the Cooperative department. Cooperative institutions should continue to conduct their own elections as they have been doing in the past. The federal bodies, however, should

keep watchful eyes over their constituents and should depute observers to watch election proceedings in the constituents societies."³¹

The **Committee on Cooperative Law, 1987** which considered the question of elections also felt that the responsibility for conducting elections should be with the management:

"Regularity of election is essential to democratic functioning as well as accountability within the Cooperative. The primary responsibility for conduct of elections should be with the management of the cooperative in accordance with broad guidelines incorporated in the Acts and Rules of various States".³²

The provisions found in the **Model Cooperative Societies Act, (1990)** framed by the **Planning Commission** provide a refreshing change from the present trend:

SECTION 32

The conduct of elections to the board of directors of a Cooperative shall be the responsibility of the incumbent board.

SECTION 32(2)

Elections shall be conducted in the manner specified in the bye-laws before the term of office of the outgoing directors comes to an end.

SECTION 32 (3)

Where board fails to conduct elections the General Body can constitute an ad-hoc board for conduction of elections.

SECTION 32(12)

Where a Cooperative fails to conduct elections, it shall be the duty of the Cooperative Union to conduct elections within 90 days from the date of election falling due.

So, it could be surmised that the power to conduct elections should vest with the management of the Society itself. The Act and Rules may contain some broad guidelines but the place for matters such as these should be the Bye-laws of the Society concerned. The federal Societies might be involved in the conduct of election of their member - Societies.

3.8. POWER OF REGISTRAR. IN RELATION TO EMPLOYEES OF COOPERATIVES**(a) MANAGING DIRECTOR****SECTION 33 (7)**

The Government shall appoint a managing director to -

- i) every apex society
- ii) every scheduled cooperative society
- iii) such other registered societies as may be notified by the Government.

Provided that where the bye-laws of any other registered society provide for the appointment of a managing director by the Registrar such appointment shall be made by the Registrar.

Rule 145 - Qualifications of Managing Director

Rule 146 - Powers and Functions of Managing Director.

(b) APPOINTMENT OF PAID OFFICERS AND THEIR SERVICE CONDITIONS

SECTION 73:

Subject to the provisions of sections 74,75,76 and 77 and subject to the rules made in this behalf, a registered society may appoint such paid officers and servants for performance of its functions:

Provided that the qualifications for appointment of paid officers and servants, the conditions of service including disciplinary control and the cadre strength of such officers and servants of a registered society or class or category of registered societies shall be such as may be prescribed.

Rule 149 conditions of service

(c) RECRUITMENT BUREAUS

SECTION 74 (1)

The Government may by notification constitute recruitment Bureaus at the State and district

Levels for the recruitment of such categories of paid officers and servants for employment by such class or classes or category or categories of registered societies as may be prescribed. Nothing contained in this section shall apply to any of the posts in respect of which common cadre of service has been constituted under Section 75.

Rule 150 Constitution of Recruitment Bureaus.

(d) COMMON CADRE OF SERVICE

SECTION 75 (1):

Notwithstanding anything contained in this Act or the bye-laws made thereunder and subject to the rules made by the Government in this behalf, the Government may, in the interest of the Cooperative movement, constitute from time to time, by order in respect of -

- i) scheduled cooperative societies; or
- ii) primary societies affiliated to such scheduled cooperative societies; or
- iii) cooperative sugar mills, cooperative spinning mills, cooperative tea factories and such other registered societies prescribed for the purposes of sub-section (4) of section 33; or,

Rule 152 common cadre of service.

(e) POWER TO SUSPEND PAID OFFICER OR SERVANT OF SOCIETY

SECTION 76 (a):

in the **course** of an audit under Section 80 or an inquiry under Section 80 or an inquiry under Section 81 or inspection of books under Section 83, it is brought to the notice of the Registrar.....there is prima facie evidence against such paid officer or servant and the suspension of such paid officer or servant is necessary in public interest of any such society.

(b) a complaint against a paid officer or servant of any registered society the Registrar may direct..... the registered society..... to place or cause to be placed such paid officer or servant under suspension from such date and for such period as may be specified by him.

(f) REMOVAL OF PAID OFFICER OR SERVANT

SECTION 77 (1):

Where a paid officer or servant of a registered society has been found guilty or convicted by a competent court for an offence involving moral turptitude, the Registrar may..... direct such registered society... to remove or cause to be removed such officer or servant from the service of such society.

While going through these provisions one would have the natural feeling that these are from the Bye-laws of Cooperative Societies. But they are in the Act.

The provision for appointing Managing Director in Apex, Central and in certain other type of Societies are not in conformity with the principle of Democratic Control. One of the important functions of the Board is to select a competent Manager/Secretary, define his authority and hand over the day-to-day administration to him. If such a power is not given to the Board, it should not be held responsible for the failure of the Society. In a similar vein, the Act should not provide for Recruitment Bureaus. This provision was included on the recommendation of **Santhanam Committee on Cooperation**, 1969 which recommended that government may constitute Recruitment Boards at the State and District levels for the recruitment of employees.³³ But, the Society should have full right regarding whom they want to select.

The **Committee on Cooperative Law** (1987) observed: "The proper selection of staff is crucial to good management. We, therefore, consider it necessary that suitable provisions be incorporated whenever they do not exist in the bye-laws of cooperative societies."³⁴ The **Committee** further observes: "A Cooperative Society should have full

autonomy in staff recruitment. The present system where, in respect of some post, the approval of Registrar is necessary, needs to be done away with. In our view the role of the Registrar as well as federal society should be advisory".³⁵

Similarly the governments' power to prescribe qualifications and service conditions of employees is not in conformity with the principle of Democratic Control. These provisions have been included on the ground of bringing uniformity in the service conditions of employees and to avoid the increasing number of disputes relating to service conditions.³⁶ But the terms and conditions of service of the staff of a Cooperative should be stated in working Rules adopted by the General Body under the Society's Bye-laws.³⁷ The **Model Cooperative Societies Act** (1990) framed by the **Planning Commission** under Section 34(1) provides: "All Staff of the cooperative including the chief executive shall be appointed, removed and guided in accordance with service conditions as framed by the board and approved by the general body". This provision is inconformity with the democratic character of Cooperatives.

The system of Common Cadre was first introduced on the basis of suggestions by the Government of India in the sixties in respect of certain types of societies.³⁸ The **Santhanam Committee on Cooperation** (Tamil Nadu) 1969 recommended an enabling provision in the Act to constitute Common Cadre of employees of Cooperatives.³⁹ This provision violates the power of the board to appoint its own employees. Report of the **Agricultural Review Committee** (A.M. Khusro), 1986 observed: "The cadre system for appointment of secretaries of PACS, where this is prevalent should be scrapped. PACS should have the freedom to recruit their own secretaries without, which the boards of management can't be made accountable for the performance of societies".⁴⁰ The **Committee on Cooperative Law**, 1987 held a similar view: "The experience with cadres has, however, been unsatisfactory, and we, would therefore recommend disbanding of the cadres through appropriate legislative action, whenever necessary".⁴¹ Despite such weighty recommendations, the provision continues to be retained in the cooperative societies Acts.

Similarly the Registrar's power to suspend/ remove officers/servants of the Society violates the authority of the Society. R.G. Tewri observed: "If the

fundamentals on which the cooperatives are organised, and are made to run, are removed from the structure and some outside agency comes to interfere with the working of the cooperative organisations, then it amounts to taking the life-blood of the cooperative organisations".⁴²

P.E. Weeraman has stated as follows:

"This assumption of management powers by the state is contrary to the Principle of democratic control. Such assumption of managerial responsibilities by the state can only retard the development of self-reliance among the members of the Cooperatives. The members will always expect the Registrar to pull their chestnuts/^{out}of the fire; and become apathetic about the society's affairs in the expectation that the Registrar will do the needful".⁴³ The powers of the Registrar to suspend/remove officers or servants of the Society should be amended suitably.

3.9. POWER OF SUPERSESSION

SECTION 88 (1) (a) The Registrar -

i) may, if he is of the opinion that the board of any registered society is not functioning properly or wilfully disobeys or wilfully fails to comply with

any order or direction issued by the Registrar under this Act or the rules.

ii) shall, where, for two consecutive cooperative years--

A) in the case of a financing bank, more than sixty per cent of the total dues of the financing bank from its members remain unpaid or the number of defaulting members of such financing bank exceeds sixty per cent of the total number of members indebted to such bank and

B) in the case of other registered societies, more than seventy per cent of the total dues to the registered society from its members remain unpaid or the number of defaulting members of such registered society exceeds seventy per cent of the total number of members indebted to such society, after giving the board of the registered society or the financing bank, as the case may be, an opportunity of making its representations, by order in writing, supersede the board and appoint a Government servant to manage the affairs of the society for a specified period not exceeding one year

SECTION 88(b):

The period specified in such order may, at the discretion of the Registrar, be extended from time to time provided that such order shall not remain in force for more than two years in the aggregate:

SECTION 88(6):

Before passing an order under sub-section (1)(a)(i) in respect of any registered society, the Registrar shall consult, in the manner prescribed the board of the financing bank to which the society is indebted.

The power of the Registrar to dissolve the elected Board of Management and appoint a Government servant to manage the affairs of the Society is not in conformity with the Democratic Character of a cooperative institution. It is true that the Registrar can use this power only under specific circumstances and the Committee members are given opportunity to make their representations and that the Registrar should take such a step only after consulting the financing bank and there is also a provision for appeal against such order. In spite of all these precautions it could be said that the provision for supersession of Committee elected by the members by the Registrar is against the principle of Democratic Control.⁴⁴

There was no provision in the 1912 Act for the supersession of the Managing Committee of a society by the Registrar. The Madras Cooperative Societies Act, 1932 in Section 43 provided for the supersession of committee.⁴⁵ The committee on Cooperative Law, 1956 felt that is necessary to invest the Registrar with powers to supersede

the committee of any society under certain circumstances and accordingly it included such a provision (Section 29) in the Model Bill.⁴⁶ So, such a provision finds place in the Tamil Nadu Cooperative Societies Act, 1961 (Section 72) subsequently on the recommendation of Government of India, a provision was made for the automatic supersession of entire board if the overdues exceed a certain limit. The provision for supersession of the Managing Committee was, now, found in the **Cooperative Societies Acts** of all the States in India. The **Andhra Pradesh Cooperative Societies Act, 1964** provides for it in Section 34, the **Uttar Pradesh Act, 1965** provides for it in Section 35. The **Maharashtra Cooperative Societies Act, 1969** provides for it under Section 32 and the **Jammu and Kashmir Cooperative Societies Act, 1969** provides for it under Section 29. The **Multi-State Cooperative Societies Act, 1984** provides under Section 48, the only notable exception being the **Model Cooperative Societies Act, (1990)** framed by the Planning Commission.

That the Cooperative opinion⁴⁷ was against such a provision has been reflected in the resolution adopted consecutively at the Seventh, Eighth, Tenth and Eleventh Indian Cooperative Congress Sessions.⁴⁷ A Cooperative Society is an autonomous institution and it is for

the General Body to elect, suspend and appoint its Managing Committee. The power has also been too often, misused. As Weeraman has beautifully observed, "very often the remedy has proved worse than the disease!".⁴⁸

CONCLUSION

What started as a mild snowfall (Government power to nominate 1/3 or 3 Committee members) soon snowballed into a mighty avalanche sweeping in its wake the autonomy of the Cooperative Society. While the Act provides that 'the management of the society shall vest in a Board', the very same Act provides several restrictive provisions which take away the powers of the Board. **The powers, such as power to nominate the Committee members, power to conduct elections, power to nominate members of weaker sections to the Board, power to supersede the Committee and the sweeping powers in relation to the employees of Cooperative Societies, have heavily eroded the powers of the Managing Committee and, in fact amounts ^{to} an abrogation of the Principle of Democratic Control.** As has been observed by Hans. H. Munkner: "Even though Government Intervention may increase efficiency, this would be in contradiction to the principles of self-help, identity and democratic management and control and in the long run would destroy the organisation"⁴⁹ A Committee of a

Cooperative Society should have full competence to manage the business of a Cooperative Society on its own. Outside control or intervention of government in the decision-making or work of a Cooperative Society is not only against the Principles of Cooperation but also against the practice of good management. If at all anybody should exercise control over the Board, it should be the General Body.

Notes

1. AARRO, **Cooperative Legislation for Agro-Asian Countries**, 1966, p.4.
2. Hans. H. Munkner, **Six Lectures on Cooperative Law**, 1977, p.51.
3. Ibid., p.61.
4. GOI, **Report of the Committee on Cooperative Law**, 1987, p.17.
5. Hans. H. Munkner, *Op.cit.*, p.61.
6. Hans. H. Munkner, **Cooperative Principles and Cooperative Law**, 1985, p.49.
7. NCUI, "Self-Reliance in Cooperatives," **Background Papers - 11th Indian Cooperative Congress**, 1989, p.14.
8. Quoted by DR. S.N. Singh, "Cooperative Democracy," **Cooperator**, Nov.1, 1989, p.4.
9. GOI, **Report of the Committee on Cooperative Law**, 1956, p.18.
10. M.A. Deshmuk, **Restrictive Features of Cooperative Law in India**, **Proceedings of 3rd National Seminar on Cooperative Law, Administration and Development (CLAD III)** 1980, p.49.
11. GOI, **Report of the Committee on Cooperation**, 1965, p.32.
11. A.G.S. Kamat, **New Dimensions of Cooperative Management**, 1987, p.49.
12. S.G. Apte, **Viability of Primary Agricultural Credit Societies**, **Anthology of Cooperative Thought Vol.II**, 1977, p.214.
13. VMNICM, **National Policy Regarding Cooperative Development, CLAD III**, 1980, p.8.
14. R.V. Nadkarni, **Reflections on the National Cooperative Policy Resolution, CLAD-III**, 1980, p.26.
15. Editorial, "Restore Democracy in Cooperatives", **Cooperator**, Nov. 1, 1985, p.171.
16. R.D. Bedi, **Law for Cooperatives**, 1982, p.49.
17. S.S. Puri, **Ends and Means of Cooperative Development**, 1979, p.52.
18. R.V. Nadkarni and N.M. Belsare, **Study of Recent changes in Cooperative Laws in India and their significance for the Democratic Management of Cooperatives**, 1974, p.40.

19. M.D. Vidwans, *Cooperative Law in India*, p.119.
20. R.D. Bedi, *Op.cit.*, p.53.
21. GOI, *Report of the Committee on Cooperative Law*, 1987, p.12.
22. *Ibid.*, p.21.
23. NCUI, *Proceedings of the Seventh Indian Cooperative Congress*, 1976, p.47.
24. *Ibid.*, p.47.
25. NCUI, *Background Papers - 10th Indian Cooperative Congress*, 1985, p.9.
26. T.N.C.U., *Salient Features of Tamil Nadu Cooperative Societies Bill*, 1976, p.7.
27. Dr. M.P. Singh, *Cooperatives - Some basic pre-conditions for success*, *Anthology of Cooperative Thought*, vol.I, p.48.
28. GOI, *Report of the Committee on Cooperation*. 1965, p.32.
29. GOI, *Report of the Committee on Cooperative Law*, 1987, p.12.
30. NCUI, *Proceedings of the Seventh Indian Cooperative Congress*, 1976, p.50.
31. GOI, *Report of the Committee on Cooperation*, 1965, p.59.
32. GOI, *Report of the Committee on Cooperative Law*, 1987, p.18.
33. T.N.C.U. *Salient Features of the Tamil Nadu Cooperative Societies Bill*, 1976, p. 20.
34. GOI, *Report of the Committee on Cooperative Law*, 1956, p.21.
35. *Ibid.*, p.21.
36. R.D. Bedi, *Op.cit.*, p.107.
37. P.E. Weeraman, R.C. Dwivedi and Shesadri, *Indian Cooperative Laws Vis-a-vis Cooperative Principles*, 1973, p.102.
38. GOI, *Report of the Committee on Cooperative Law*, 1987, p.21.
39. T.N.C.U. *Salient Features of the Tamil Nadu Cooperative Societies Bill*, 1976, p.20.
40. GOI, *Report of the Agricultural Review Committee*, 1986, p.1020.
41. GOI, *Report of the Committee on Cooperative Law*, 1987, p.21.
42. ICA, *Report of the Asian Top-Level Cooperative Leaders' Conference*, 1973, p.56.
43. P.E. Weeraman, et. al., *Op.cit.*, p.95.

44. M.A. Deshmukh, Restrictive Features of Cooperative Law in India, **CLAD III**, 1980, p.50.
45. R.D. Vidwans, Op.cit., p.121.
46. GOI, **Report of the Committee on Cooperative Law**, 1957, p.16.
47. NCUI, **Proceedings of the Seventh Indian Cooperative Congress**, 1976, p.48.
48. P.E. Weeraman, etc., Op.cit., p.87.
49. Hans. H. Munkner, **Cooperative Principles and Cooperative Law**, 1985, p.56.

CHAPTER - IV

THE CRACKDOWN OF COOPERATIVE DEMOCRACY IN. TAMIL NADU

4.1. INTRODUCTION

Right from the birth of the concept of Cooperation, members of Cooperatives have been trying to manage their affairs independently for the benefit of themselves and the community, at large.¹ This does not mean that the members should take over the management, but elect a small group of persons to manage the Society. The legal position of the Committee or board of a Cooperative Society is that of an agent acting on behalf of a corporate principal.² The Board has full competence for conducting the Cooperatives' business. The members in General Meeting should not interfere directly in the functioning of the Board. However, the members at all times retain the right to approve matters of high policy. But outside control in the form of direct intervention by government in the decision - making of the Board will be harmful. In the words of Hans. H. Munkner: "However, this would be in contradiction to the principles of self-help, identity and democratic management and control and would destroy the Cooperative character of the organisation in question."³ If 'mere

intervention' is considered a contradiction, what would one call the action of removing the board and replacing it with a government official? To call it bad policy is not the end of it. What would one call the action of a State government which removes the Boards of a class or classes of Cooperative Societies by a stroke of pen? This is not a hypothetical question but a reality in the State of Tamil Nadu. In this chapter an analysis of the causes of supersession and its consequence on the working of the short-term credit movement has been undertaken.

4.2.1. SUPERSESSION

Supersession means making the existing things ineffacious by the exercise of superior power. In the Cooperative Societies Act, the Registrar has been empowered to supersede the Committee of management on certain grounds. The purpose of this provision is to cleanse the Cooperative Societies of erring management and appoint a single competent person to run the affairs till normalcy is restored, when the management could be entrusted to a properly constituted Committee.

The **Madras Cooperative Societies Act** (VI of) 1932 (Section 43) enabled the Registrar to dissolve the

Committee and appoint a suitable person or persons to manage the affairs of the Society.⁴ The **Tamil Nadu Cooperative Societies Act, 1961** (hereinafter **TNCS Act**) (Section 72) retained such a provision. The Central government's directives to the State governments, generally approve of the provision in the State Acts to supersede the Committee for its bad management but prescribe that the period be reduced to two years. The **TNCS Act, 1983** also has the provision for supersession (Section 88). But there is no provision for the supersession of Boards of a class or classes of Societies. Such a step can be taken only through an Act of Legislature. Here, the analysis is confined to the supersession of Boards of Societies through an Act of Legislature.

4.2.2. SUPERSESSION THROUGH AN ACT OF LEGISLATURE

The 'seventies and 'eighties could be called an era of superession so far as the Cooperative Movement was concerned. Almost in every state, the management of Cooperatives, in some states those of Primary Societies inclusive, have been superseded under some pretext or other. A beginning was made in the State of Tamil Nadu when the **The Tamil Nadu Cooperative Societies (Appointment of Special Officers) Act, 1976** was enacted by the President

of India on 1st June, 1976. The Act came into effect from 10th June, 1976. The purpose of such an Act was: "Whereas it is expedient to provide for the appointment of special officers for certain categories of Cooperative Societies for a limited period in the public interest, for the purpose of safeguarding the interests of the members or depositors, for ensuring the proper utilisation of the amounts guaranteed by the Government and for improving the efficiency of the administration of such Societies."⁵ The Government in its policy note relating to Cooperation (1976-77) stated: "The nominated elements dominated those boards and the basic elected set-up became weak. In order to restore order and confidence in Cooperative the Tamil Nadu Cooperative Societies Act, 1976 was passed and special officers' were appointed for 411 Cooperative Societies of certain types with effect from 10th June, 1976".⁶ As per the Act, the Cooperative Societies specified in Part A, B and C of the Schedule were covered.

The Schedule

PART-A

Category of Societies:

1. The Tamil NADU State Cooperative Bank Ltd., Madras.
2. Tamil Nadu Cooperative State Land Development Bank Ltd., Madras.

3. Tamil Nadu Cooperative Union Ltd., Madras.
4. Tamil Nadu Cooperative Marketing Federation Ltd.,
Madras.
5. Tamil Nadu Consumer's Cooperative Federation Ltd., Madras.
6. Tamil Nadu Cooperative Housing Society Ltd., Madras.
7. Tamil Nadu Industrial Cooperative Bank Ltd., Madras.
8. Tamil Nadu State Oil and Allied Products Cooperative
Marketing Federation Ltd., Madras.
9. Tamil Nadu State Palmgur and Fibre Marketing Cooperative
Federation Ltd., Madras.
10. Tamil Nadu State Federation of Cooperative Sugar
Factories Ltd., Madras.

PART-B

1. Primary Land Development Banks
2. Cooperative Marketing Societies
3. Cooperative Printing Presses
4. Cooperative Training Institutes
5. District Cooperative Supply and Marketing Societies.
6. Cooperative Wholesale Stores
7. District Cooperative Unions
8. Central Cooperative Banks
9. District Cooperative Agro-service Societies/Centres.

PART-C

1. Cooperative Milk Supply Unions
2. Fishermen Cooperative Federations
3. Cooperative Sugar Mills
4. Cooperative Spinning Mills

Since then the period of supersession has been extended from time to time through a series of amendment Acts as given below:

TABLE No.4.1
EXTENSION OF PERIOD OF SUPERSESSION

S.No.	Act	Period
1.	The Tamil Nadu Cooperative Societies (Appointment of Special Officers) Act, 1976, No.25	2 Years
2.	T.N.Act No.34 of 1978, dt.4.10.78	2 - 3 years
3.	T.N.Act No.38 of 1979, dt.4.6.79	3 - 3½ yrs.
4.	T.N.Act No.48 of 1979, dt.3.12.79	3½- 4½ yrs.
5.	T.N.Act No.4 of 1981, dt.3.3.81	4½- 5 yrs.
6.	T.N.Act No.52 of 1981, dt.14.9.81	5 - 6 yrs.
7.	T.N.Act No.45 of 1982 dt.29.9.82	6 - 7 yrs.
8.	T.N.Act No.25 of 1983 dt.26.5.83	7 - 7½ yrs.
9.	T.N. Act No.4 of 1984 dt.8.3.84	7½- 8½ yrs.
10.	T.N.Act No.12 of 1985 dt.4.4.85	8½-9½ yrs.
11.	T.N.Act.No.15 of 1986 dt.18.2.86	9½ - 9¾ yrs.
12.	T.N.Act No.25 of 1986 dt.7.4.86	9 yrs. 10 months
13.	T.N.Act No.5. of 1987	-10 Yrs 10 months
14.	T.N.Act.No.23 of 1988(President Act)	10 yrs 10 months
15.	T.N.Act No.7 of 1988 (President Act)	-11 yrs 10 months
16.	T.N.Act. No.35 of 1989	11 yrs 10 months - 12 yrs 4 months
		From 11 yrs and 10 months-12yrs and 4 months
		From 13 yrs 4 Months - 14 yrs. and 1 Month.

Thus the period of supersession has been extended for a period of 14 years and 1 month ending on July, 1990.

The Second phase started with the supersession of Boards of Primary Agricultural Credit Societies on 28.9.85. The government effected this through an Ordinance, **Tamil Nadu Agricultural Service Cooperative Societies (Appointment of Special Officers) Ordinance, 1985**, which provided for the appointment of Special Officers for a limited period of 3 months, and subsequently the **Tamil Nadu' Ordinance 15 of 1985** which, extended the period from 3 months to 9 months. Then the ordinance was replaced by Act No.17 of 1985. The reason given was to streamline the working of Primary Agricultural Credit Societies in the State.

The period of supersession has been extended from time to time to provide for the continuance of Special Officers through a series of Amendment Acts as given in Table 4.2.

TABLE No.4.2

**EXTENSION OF PERIOD OF SUPERSESSION IN PRIMARY AGRICULTURAL
CREDIT SOCIETIES**

S.No.	Act	Period
1.	Agricultural Service Cooperative Societies (Appointment of Special Officers) Act, 1986 Act No.17 of 1986	9 Months
2.	T.N.Act No.74 of 1986	9 Months - 1 Year and 6 Months
3.	T.N.Act.No.6 of 1987	1½ yrs - 2½ yrs
4.	T.N.Act No.22 of 1988 (Presidential Act)	2½ yrs - 3 yrs
5.	T.N.Act No.4 of 1988 (Presidential Act)	3 yrs - 4 yrs
6.	T.N.Act No.37 1989	4 yrs - 4 yrs 5 Months
7.	T.N. Act No.3 of 1990	4 yrs - 5 Months to 5 yrs and 3 months

As it is evident, the second phase of supersession has already lasted for a period of 4 years and 6 months (Upto 30.6.1990) without break despite elections being ordered to be held twice during 1989 but then postponed by the government. Till the period of study (30.6.90) the elections were not held.*

*However elections were held subsequently for the Primaries on 9/10/90, only to be superseded again in the year 1991.

The third phase of supersession started when **Tamil Nadu Cooperative Societies (Appointment of Special Officers) Ordinance, 1989** was issued on 3.7.1989 to provide for the appointment of Special Officers in Primary Societies for which the Committees had been elected prior to 1976. This practically brought the entire Cooperative Movement under the control of the government. The government excluded from the purview of this Ordinance the Staff and Students Cooperative Societies and the House Service Cooperative Societies. The reason for such an action was "whereas it is expedient to provide for the appointment of special officers for certain primary societies for a limited period in the public interest, to secure free and fair elections to committees or boards of management of such societies in an atmosphere of impartiality."⁷

The process of supersession of democratically elected Boards which started in 1976 came to an end in 1989 when almost all the Boards of Cooperatives were superseded and Special Officers appointed in their place. Though the Cooperative Movement in India was sponsored by the state, the early stages of the Movement were comparatively free from state control. At least, there were no supersession.⁸ Even the provision of supersession did not find a place in

Cooperative Societies Act. And there was no instance of supersession of Boards of a class or classes of Societies.

Ofcourse, Tamil Nadu was not the only state to resort to mass supersession of Boards. The Madhya Pradesh Government superseded the Boards of all Central Cooperative banks, District Land Development Banks, Cooperative Banks and Primary Cooperative Banks in the year 1972.⁹ The Haryana Government superseded the Boards of nearly 3000 Cooperative Institutions of the State, including the Apex institution in 1978. In Andhra Pradesh, prior to 1981, for about a decade elections were not held for Cooperative Societies.¹⁰ Such instances of mass supersession of Boards have been reported from States like Rajasthan, Bihar and Orisa.¹¹ But such examples do not make the action of the Tamil Nadu Government any way justifiable. The fact remains that such acts cut at the very root of Cooperative Democracy.

The Central Government has been regularly asking the State governments to democratise the Cooperatives by holding elections to the superseded Cooperatives.¹² The then, Prime Minister in his D.O. letter of 12th March 1987 to the Chief Ministers had insisted that "Elections should be conducted regularly and elected office bearers

should be allowed to manage the Cooperatives without undue influence from the State government"¹³ **The Committee on Cooperative Law, 1987** observed that there "should be no large scale supersession of any class or category of societies through executive action or legislative measures."¹⁴ The 8th **Indian Cooperative Congress** held in 1979 noted with concern that the "process of supersession of elected boards of management of Cooperative Societies and appointment/nominated boards or administrators in their places initiated sometime back has been accelerated in different states. Elections have not been held since long and they are being delayed for one reason or another.....: and felt that "such a trend in the Cooperative sector is unwarranted and un-justified."¹⁵

The tenth Cooperative Congress held in 1985, alarmed at the state of things, decreed that "In no case, committees should be superseded. In case a new committee is not constituted, the old committee should be allowed to continue. Appointment of administrators/officers-in-charge/custodians should be totally stopped as the Registrar has sufficient power to arrange elections of the managing committees in case the old committee/officer of the society fails to hold elections in time".¹⁶

Despite these instructions and recommendations the attitude of the State governments, particularly the State under study, did not seem to change as far as restoration of Cooperative Democracy was concerned.

4.3. FACTORS THAT LED TO SUPERSESSION

The Cooperative Movement in India was born as a result of an official policy which resulted in the passing of the Cooperative Credit Societies Act, 1904. But, official policy in India till 1947 was not directed towards overall economic development. The Official policy chiefly confined itself to setting up of Cooperative Societies. The setting up of the Cooperative Societies and appropriate legal provisions and organisational structures were themselves treated as the ends of the official policy.¹⁷ However, after 1947, the Government of India having set and accepted the role and objectives of the Cooperative Movement, assumed for itself the responsibility for the development of the movement in the country as a whole. In discharge of these responsibilities a strange relationship between the Cooperatives and the State emerged, i.e. it is positive as regards the physical development and expansion of Cooperatives are concerned but negative in regard/ ^{to} ideological orientation of the Movement.¹⁸ As the government attempted to encourage the Cooperative Movement with money and support, the government control over the

Cooperative Movement increased. In the words of Kurien, "With every benevolent gesture, we struck down the very principles that are at the heart of Cooperation, democratic decision-making, voluntary membership, neutrality in race, religion and politics".¹⁹ The result of all these is an extension of the sprawling state administrative apparatus. As a consequence, the supersession of Boards of Cooperative Societies have become a rule, rather than an exception. Trinity of factors have been identified as the chief reasons for the present state: a) government policy, b) government interference, and c) politicisation of the movement/

4.3.1. GOVERNMENT POLICY

A beginning, relating to government policy towards Cooperatives, was made when the nation adopted a policy of planned economic development for establishing an integrated and just society providing individual liberty, equality of opportunity and a basic economic minimum for all. In this context, Cooperation has been accepted as an important instrument for achieving the objectives of Economic Planning. The **First Five Year Plan** 1951-1956 stated that "as it is the purpose of the plan to change the economy of the country from individualistic to socialistic and Cooperative basis, the success should be judged, among other things, by the extent

to which it is implemented through cooperative organisation."²⁰ Clearly, Cooperation was recognised as an instrument of economic planning.

The **All India Rural Credit Survey Committee** (1954) was appointed following the policy guidelines mentioned in the **First Five Year Plan**. The Committee, among other things, recommended State Partnership in the share capital of Cooperatives for widening, initially the owned resources base and to start developments. However the Committee insisted that "Every precaution is taken to safeguard the essential character of the institution in which such participation takes place without interference in its day-to-day affairs."²⁰ A The **Patna Cooperative Congress** 1955 while endorsing the recommendation, insisted that government nomination in the Board should be limited to 1/3 or 3 whichever be less.

The **Second Five Year Plan-1956-1961** assigned Cooperation the important role of becoming an effective instrument, for fulfilling the objectives laid down in the Plan itself. The plan emphasised that "Economic development along democratic lines offers a vast field for the application of Cooperation in its infinitely varying forms..... The

building up of a cooperative sector as a part of the scheme of planned development is thus one of the central aims of the national policy."²¹

The **Third Five Year Plan 1961-1966** emphasised diversification of Cooperative activities and therefore the area of operation was extended to non-agricultural activities also. The plan observed: "A rapidly growing Cooperative Sector with special emphasis on the needs of the peasants, the workers and the consumers becomes a vital factor for expansion of employment opportunity and for rapid economic development."²²

During these Plan periods, the government adopted a policy of effective State aid to the Cooperatives and of deliberate expansion of cooperative organisations in various branches of socio-economic life of the people. The policy of State aid did not envisage the extension of government hold over the Management of Cooperatives taking the state aid as the basis.²³ The **National Development Council Resolution, 1958** also recommended the liberalisation of certain existing provisions for the speedy development of Cooperation as a popular Movement. It was also against excessive official interference and red tapism.²⁴

The All India Rural Credit Review Committee (1969) considered that credit supply could not be pegged to the development of cooperative movement and advocated multi-agency approach.²⁵ The Committee also laid emphasis on coverage of weaker sections, particularly, small and marginal farmers, as a feeling was gaining ground that the process of economic development had widened the gap between the rich and the poor. The government accepted the recommendations of the Committee and established **SFDA** and **MFAL**. The government also took the policy decision to organise Farmer's Service Societies to meet the requirements of poor farmers.²⁶

The **Fourth Five Year Plan 1969-1974** which was launched (after a brief plan holiday) in 1969 was influenced by the recommendations of the **Review Committee**. The Plan Document mentioned the approach of ensuring that "opportunity before cooperatives should be as large and varied as they can utilise"²⁷ with the introduction of multi-agency approach the Cooperatives were required to compete with other agencies operating in the economy. For the first time, therefore, there was a deviation from the original policy of using Cooperative as the sole agency for the delivery of rural credit. The emphasis on weaker-sections which formed

part of the policy of **Fourth Five Year Plan** also found expression in the **Conference of Chief Ministers and State Ministers of Cooperation** held in Madras in 1969.²⁸

The **Fifth Five Year Plan**, (1974-1979) recognised Cooperatives as an important institutional agency for the development of weaker-sections and important organisational mechanism to implement the public distribution scheme. The Plan outlined four important Objectives of Cooperative development:

- a) Strengthening ^{the} base level organisations in rural areas so as to enable them to meet the composite needs of farmers;
- b) Expansion and strengthening of consumer cooperatives as an important institutional framework for implementing public distribution system;
- c) Removal of regional imbalances
- d) Development of Professional Management at various levels of cooperatives by improving Personnel Management Policy and strengthening the Cooperative Training Programmes".³⁰

It was during this time, the **National Cooperative Policy Resolution** was fully adopted in the State Cooperative Ministers' conference held in Delhi in 1977. The aim of the Resolution, the first of its kind in the country, was

to help develop the Cooperative Movement on healthy lines free from politics and vested interests.³¹

The Resolution was finalised by the Government of India and released in 1978. The **National Cooperative Policy Resolution** (Appended) contained 12 Resolutions and 42 Action Points for implementation. R.V. Nadkarni observed:

"The resolution indicates how the cooperative movement in the country shall be "built-up", "developed," "promoted", that it will be "associated" with "the process of planning for economic development, "that it shall be "cleansed of corruption and malpractices and finally that professional management shall be built-up in the cooperative institution."³²

It was in this back-drop the **Sixth Five Year Plan** (1980-85) was launched. Naturally the plan adopted a similar attitude as that of the **National Policy Resolution**. The Strategy for Cooperative development outlined in the **Sixth Plan** comprised of:

- i) a clearly conceived Action Programme to be drawn up for strengthening of the Primary Village Societies so that they would be able to effectively act as multi-purpose units catering to the diverse needs of their members

- ii) re-orienting Cooperative policies and procedures towards ameliorating the economic conditions of the poor;
- iii) re-orientation and consolidation of the role of the Cooperative federal organisations so that they would be able, through their constituent organisations, effectively support a rapidly diversifying and expanding agricultural sector; and
- iv) Development of professional man-power and appropriate professional cadres to man managerial positions.³³

The Seventh Five Year Plan's (1985-90) overall objective was to increase food production, create more employment opportunities and upgrade productivity. The policy relating to Cooperative development was ?

- a) to strengthen the institutional structure of Cooperatives at all levels, to equip them to provide the farmer, the worker and the artisan modern inputs for increasing production and productivity and provision of remunerative prices to the products;
- b) to create rural infrastructure for agro-processing, storage and other common facilities for increasing rural incomes, expanding employment opportunities and better utilisation of resources; and

c) to foster democratic and also professional management in Cooperatives, so that they function with responsibility for the benefit of their members, particularly weaker-sections.

The foregoing analysis indicates that one of the major factors which contributed to the Crack-down of Democracy in Cooperatives was the official policy. Till the end of the **Third Plan** there was respect for the internal democracy of the Cooperatives. Since, then the government's attitude was one of building rather than help to build. The government also started treating Cooperatives as one of the several alternatives which could be tried for economic development. Gadgil's reflections on Government policy made during the 'sixties holds good even today: "Currently, the greatest obstacle in the way of progress of cooperation in India is the situation in relation to direction of cooperative policy at the Centre. This is high-handed and perverse and is at the same time weak and vacillating. The most important feature of the situation is that cooperative policy is no longer made in the cooperative way. In British times changes were effected only after examination by committees in which active non-official had an influential

and honourable place. Recently, however, all regular procedures have been abandoned and policy decisions are announced arbitrarily. These decisions are imposed upon cooperatives from above without taking into account the local variations. Nothing could be worse than this"³⁴

Except for the **Committee on Cooperation**, 1965 which was headed by a non-official (Mirdha), the two other Committees appointed after 1965, the **All India Rural Credit Review Committee** (1969) and the **CRAFICARD** (1980), whose recommendation effected far-reaching changes in the Cooperative movement, were headed by officials. However the **Report of the Agricultural Review Committee**, 1986 and the **Report of the Committee on Cooperative Law** (headed by official) 1987 pleaded for removal of government control over the Movement. But the damage has been, already, done. The words of Sir. Horace Plunket is more true, now, than ever before," The widely spread and numerous supported Indian cooperative movement would more accurately be called a cooperative policy"³⁵

4.3.2. GOVERNMENT INTERVENTION

It is a paradox of history that after independence, the State fetters on Cooperative Movement only increased.³⁶ One of the major contributory causes was the adoption of

the Principle of State Partnership. Taking advantage of the dependence of the Cooperative Movement on the State for financial resources and the comprehensive powers enshrined in the Cooperative Law, the State governments of different complexions did not hesitate to use their powers to bend the Cooperatives at their will, to supersede them, to withhold elections and carry on for years with nominated Board of Directors or Administrators.³⁷ The change in the attitude of the State towards Cooperation was a natural consequence of changes in government policy towards Cooperation.

4.3.2.1. Structural Change in Base Level Cooperatives

State intervention started with the restructuring of Cooperatives at base level and the Cooperators were not being involved in the process of decision making which vitally affected them. The **All India Rural Credit Survey Committee** (1954) recommended the setting up of "Large sized societies". Against a target of 10,000 of them, 7500 were organised in the various States.³⁸ Since April 1959 the organisation of large-sized Societies was given up on the basis of **NDC Resolution** of 1958 and in their place 'service cooperatives' were introduced. The **Committee on Cooperative**

Credit (1960) recommended that, while as a general rule, the Cooperatives should be organised on the basis of village community as the primary unit, where villages were too small the number to be served by a cooperative society might be increased in the interest of viability.⁴⁰ Since then the watchword has been viability.

The Tamil Nadu Government took a decision in 1965-1966 to re-organise the Agricultural Credit Societies into viable units in tune with the National Policy which resulted in the decline of number of Primary Agricultural Credit Societies from 11,021 as on 30.6.1962 to 4,778 as on 30.6.75⁴¹. In the year 1976 the Government of India recommended to State Governments the organisations of Farmer's Service Societies in SFDA and MFAL areas. The Reserve Bank of India suggested that Agricultural Banks having sizeable business may be converted into Farmer's Service Societies. Accordingly the Government of Tamil Nadu converted 12 Agricultural Banks into Farmer's Service Societies in 1976-77.⁴² Similarly the Government created 7 Societies (Lamps) for the hill tribes during 1976-77.⁴³ The re-organisation of the Cooperative Societies have been resorted to without taking into consideration the area problems and consequential benefits

to the membership.⁴⁴ This type of intervention by the state in changing the structure of Cooperative Societies at its will has gone against the independence and interest of Cooperatives.

4.3.2.2. GOVERNMENT INTERVENTION THROUGH LEGISLATION

Cooperative legislations are the most powerful instruments to shape the character of Cooperatives and define the relationship between cooperatives and State. A separate Cooperative Law is required to give legal protection to Cooperatives and to facilitate their operations as Cooperative Bodies.⁴⁵ The law relating to Cooperatives in India, relatively, provided for the autonomous working of Cooperatives, but with the advent of State Partnership and consequent policy changes with emphasis on providing services to weaker-sections, the complexion of the law changed. Restrictive features in (dealt with in Chapter II and III) **TNCS Act, 1983** include: Compulsory Amendment of Bye-laws (Section 12), Power to Direct Amalgamation (Section 14), Power of the Registrar to Call General Meeting (Section 32(3)(a)), Registrar's Power to Approve Budget (Section 32(2)(a)), Registrar's Power to Give Direction (Section 181), Power to Nominate Committee Members (Section 33), Power of Supersession (Section 99), etc.

The government using the powers given under the **TNCS Act, 1983** amalgamated 327 non-viable Societies. Apart from the supersession of Boards Under **Tamil Nadu Coopertive Societies (Appointment of Special Officers Act, 1976,** 144 societies were under supersession during 1979-1980, the numbers for 1980-1981, 1981-1982 and 1982-1983 being 146, 110, and 144 respectively.⁴⁸

Further, in order to provide loans and other services to weaker-sections of the community, the government have been implementing a scheme since 1981-1982, to enroll one scheduled caste person from each such family to the membership of the Primary Credit Societies. The Government have been providing a subsidy of Rs.100 to each such person towards the share capital to be paid by him to the Society. Until 1989-1990, 1.10 lakh persons have been enrolled into the membership of the Primary Agricultural Credit Societies.⁴⁹ The government's action of enrolling members belonging to weaker sections by providing share capital|subsidy definitely amounts to direct interference in the working of the society. Since, admitting members who do not take any initiative or feel the necessity to join the society will prove counter-productive in the long run.

The Government/Registrar's power to give directives has resulted in dictating to the Cooperatives everything,

from admission of members to the liquidation of Societies. A compilation of classified data from the Registrar's circulars relating to Short Term Credit published (1968) by the Registrar's office for the period 1971-1984 provides the following informations (Table 4.3)

TABLE NO.4.3

CIRCULARS OF REGISTRAR OF COOPERATIVE SOCIETIES

Subject	No. of Circulars and Memo
1. Admission of Members	27
2. Lending Policies and Procedure	52
3. Issue of Loans	46
4. Recovery of Loans	33
5. Management Committee	6
6. Employees of the Agricultural Service of Cooperative Societies	4
7. Amendment of Bye-laws	7
8. Maintenance of various Funds	5
9. Farmer's service societies	3
10. Miscellaneous	21

An analysis of these circular's reveals how the government, using its power to issue Directives/ circulars, have interferred in the working of the Cooperative Societies in every possible way.

The Cooperatives were looked upon as no more than mere tools or agencies for fulfilment of government's

intentions or objectives. This often meant the distortion of the role of Cooperatives, but neither the Cooperatives nor the Cooperative Movement seemed to be bothered about these distortions. How the cooperatives have been reduced to the level of implementing the Programmes drawn by the government is clear from Table 4.4. below.

TABLE NO.4.4
GOVERNMENT'S PROGRAMMES FOR COOPERATIVES

(Rupees in Crores)

Description and Unit	Prog. for 1989-90	Prog. upto 30th Jan 1990
1. Issue of Short-term Agricultural loans	250.00	201.26
2. Issue of Medium-term Agricultural loans	37.36	23.05
3. Share of Weaker-sections in S.T. & M.T. Agricultural Credit (Percentage)	66.00	61.4
4. Issue of L.T. Agricultural Loans	30.00	15.55
5. Issue of Jewel Loans	520.00	553.12
6. Distribution of Chemical Fertilizers	120.00	78.65

Source: Policy Note of Cooperative Department, 1990.

From the above Table it is clear that the government uses Cooperatives to achieve certain targets fixed by it. It has therefore been found convenient for the government to have its own personnel in positions of power in Cooperatives rather than elected Boards.

4.3.3. POLITICISATION OF THE MOVEMENT

Politicisation is the process of competition for power through mobilisation of groups within the community.⁴⁹ It provides opportunities for various groups to compete for power and one group to replace another when it gains the support of the majority of the constituent members. Cooperative Democracy could not be insulated from the effects of politicisation. **The Khusro Committee Report, 1986** viewed that "neither the entry of politicians into the ranks of cooperative leadership, nor the emergence of non-official cooperators as political leaders was not an undesirable development, but what needs to be guarded against is that decisions concerning the conduct of business of the cooperatives are not taken on political considerations. The cooperatives should not be used for promoting political interest".⁵⁰ The forms of political intervention that hamper the growth of autonomous Cooperative Movement are discussed here.

4.3.3.1. NOMINATION IN BOARD

Instruments of nomination have become handy to state governments to achieve their political objectives through cooperatives. The **TNCS Act, 1961** originally provided for the nomination of 3 members or 1/3, whichever be less, in State-partnered Societies. In actual practice, the Government did not nominate the representatives on the Boards of State-partnered Primary Societies, but one representative (local Deputy Registrar of Cooperative Societies) on the Board of each Central Cooperative Bank and three representatives (Registrar, Secretary to Government in the Department of Cooperation and Director of Handlooms) on the Apex Bank.⁵¹ Subsequently the Act was amended (1971) to provide representation for the weaker sections and the power of nomination was conferred upon the Registrar. This paved the way for infiltration of politicians into the Movement and the consequent misuse and abuse of funds and properties of the Societies. "This had very much affected the image of the movement in the state and also proved a set-back".⁵² One of the reasons for superseding the Boards, according to the **TNCS Act, (Appointment of Special Officers) Act, 1976**, was that "the nominated elements dominated those boards and the basic elected set-up became weak". **TNCS Act, 1983** also provided scope for nomination of members of the

Board in Tamil Nadu State Cooperative Bank and Central Cooperative Banks other than the three government nominees (discussed in Chapter III).

4.3.3.2. ELECTIONS IN COOPERATIVES

Entry of politicians in the ranks of Cooperative leadership by itself is not undesirable. Here the observation of the **Khusro committee** might be illuminating: 'where there are rival political groups at the village level, politicalisation in its elementary form manifests itself in the domination of cooperatives by one group which often results in serious distortions in the credit disbursement and recovery process. Groupism and rivalries in different political parties are likewise, reflected in the partywise panels contesting elections of cooperatives, largely on political consideration".⁵³

The elections to Cooperatives under the **TNCS Act, 1983** and **TNCS Rules, 1988** were ordered to be held twice during 1988 but were subsequently put-off. The government on 5th July 1989 ordered that elections to all the Primary Cooperative Societies in the State should be completed by October 1989 but was postponed again. Finally the elections were held (September) and the elected Boards

assumed office during November 1990. The election was contested on party basis and immediately before the announcement of election a membership drive was undertaken where political parties vied with each other to admit more of their members. The government allowed even members who had overdues to vote in the election. A opinion survey conducted among the members during November 1990 revealed ~~that~~ the extent of political domination. Almost all the members gave the reply that the political parties had nominated their candidates and that seventy two per cent of the members who voted in the election (50 out of 120) had voted for the party candidates.

During the 'seventies it was alleged that Lift Irrigation Societies were started with the Primary objective of catching power in Central Cooperative Banks. It was stated by the Government Counsel before the **Sarkaria Commission** that 102 Lift Irrigation Societies were registered in the last two months of 1970 and 16 Lift Irrigation Societies were established in the first month of 1971.⁵⁴ The political intervention in elections in Cooperatives has therefore seriously affected their working as independent institutions.

4.3.3.3. DELAY IN CONDUCT OF ELECTIONS

Another form of political intervention is the indefinite postponement of elections to Cooperatives. The power of conducting elections to Cooperatives is, now, vested with the government. The party in power finds one excuse or another to delay elections to Cooperatives. In Tamil Nadu the Boards of all the major Cooperatives were superseded in 1976. While extending the period of supersession for another six months, the then Minister for Cooperation had stated in December 12, 1977: "This was to enable the government to relieve the societies of the various ills which plagued them in the past and bring in necessary changes before they were handed over, to the elected bodies."⁵⁵ But elections were not held and the period of supersession was extended from time to time. The main reason given by the government for the perennial postponement was that the delay became unavoidable "owing to the desire of the government to plug all loopholes in the previous Act and ensure that honest and public spirited people were enabled to run the cooperatives".⁵⁶

But when the Act, was finally enacted and the Rules framed, came into force in April 1988, the much awaited elections did not take place. The reason given was to remove some restrictive provisions pointed out

by the **Ardhanareeswaran Committee on Cooperative Law** and give effect to some suggestions of the National Dairy Development Board.⁵⁷

The government on 5th July 1989 ordered that the elections to all the Primary Societies in the State should be completed on or before 31st October 1989. When the election process was going on, the government again postponed the election beyond 31st October 1989. The reason being that representations were received by the government from political parties and other institutions requesting to give some more time to induct new members and to make further amendments to the Act. The elections were atlast held in September 1990, only to be rescinded a year after (28.7.'91).

4.3.3.4. **WAIVER OF LOAN**

When crops fail due to natural calamities like drought or floods, there is provision for converting the Short Term Loan into Medium Term Loan (Period of repayment 3 years). In case the succeeding year also proves to be bad, the loan could be rephased (period of repayment 5 years). Even if there is one good year in between, there is provision to have concurrently both Medium Term conversion Loan and Medium-Term Replacement

Loan. When such an arrangement exists there is hardly any justification for the governments to resort to waiver of loans. But the governments have regularly resorted to such practice for considerations other than Cooperative. The **All India Rural Credit Review Committee** in 1969 made the following observation; "there is already reason to be apprehensive of the effect of too intimate involvement of politics in the working of cooperatives. It is now well-known, that, particularly during the election years, but even at other times, there is considerable political propaganda in favour of postponement of recovery of loans by pressure on credit institutions, to grant extensions or to avoid or delay the enforcement of coercive measures for recovery or grant loans beyond the limits determined by rules in force".⁶⁰

The Tamil Nadu government announced a major waiver of agricultural loans (Medium-Term Conversion Loans.) Whatever amount that was due on 31.3.1980 in respect of Medium-Term Conversion Loan, interest and penal interest, pending against small farmers, alone was written-off by the government in 1980-1981. The government commitment was Rs.49.64 crores.⁶¹ The, then Union Deputy Minister of

Finance had cautioned the Tamil Nadu Government in 1980 against the writing-off of Cooperative loans to farmers as it would undermine the very structure of cooperative credit system.⁶²

B.S. Viswanathan, President NCUI, criticised the Maharashtra and T.N. Government's decision to write off Cooperative loan arrears as a political decision and against all principles of Banking. He also said if writing-off loans was allowed then, "all election years would become writing-off loan years"⁶³ Since 1979-1980 the Government of Tamil Nadu had been announcing some concession or other for repayment of loans.

Another major waiver was announced by the Central Government in the year 1990 under the heading **Agricultural and Rural Debt Relief Scheme, 1990**. It came into force with effect from 15th May, 1990. The effective date to calculate the overdues was fixed on 2.10.1989. The Scheme provided for the write-off of loans pending on 2.10.1989 together with interest, etc. The Scheme was made applicable to persons whose principal borrowing did not exceed Rs.10,000. The amount written-off in the State of Tamil Nadu alone amounted to Rs.215.35 crores. A detailed list of the concessions announced and the amount involved since 1979-1980 to 1989-1990 is given in Appendix.

These political decisions affected the working of Cooperatives. Even the honest borrower was driven to refuse to repay the loan because of the hope that the government might resort to waiver of loans. This has become a vicious circle.

Khusro Committee observed: "Unless this is recognised and there is awareness at the highest levels in government that politicalisation of the cooperative system is fraught with serious danger to the capability of the cooperatives to function effectively in the long run and survive in a reasonably healthy state, there is clear danger that politicalisation would not only destroy the system but may defeat even the purpose for which it is resorted to. As the experience of last two decades has shown, politicalisation has assumed such serious proportions that it has in itself become the bane of the agricultural credit system in general and cooperative system in particular."⁶

In Tamil Nadu this observation has been more true than in any other State. The decision to supersede the Societies was made on political consideration rather than on the other. This fact has been brought home by the decision of the government to postpone elections to Cooperatives on one pretext or other.

4.5. THE IMPACT

Tamil Nadu has a unique place in the history of Cooperative Rural Credit Movement in India. It was Sir. Fredrick Nicholson (Madras Province) who made a strong case for the introduction of Cooperative Credit Movement in India through his **Report regarding the Possibility of Introducing Land and Agricultural Banks** (1895). Later, the enactment of the **Cooperative Credit Societies Act, 1904** marked the beginning of Cooperative Credit Movement in India. The official policy in India till 1947 was not directed towards either overall economic development or any set of specific economic measures in which Cooperation figured as an item.⁶⁵ After independence, Cooperation was not merely looked upon as one of the many voluntary agencies but it was accorded a definite role in the national planning system and, therefore, was made an instrument of national policies connected with increased production and equitable distribution.⁶⁶ P.R. Dubhashi observed: "The scope for the Cooperative Sector has been specially marked in the field of agriculture and allied activities, rural industrialisation and wholesale and retail distribution."⁶⁷ In India, the Cooperatives are expected to play a doubleedged role (a) they have to achieve certain objectives and obligations as per their Bye-laws for the overall betterment

of membership; and (b) they have to act as an agent of the government to implement various development programmes.⁶⁸ In the short-term credit as well as the long-term credit structures this came to be used as delivery system of credit for agriculture by the government. Financial assistance was provided by the government for implementing national development programmes through Cooperatives. This had been used as the basis for excessive State control on the functioning of Cooperative institutions. The restrictive provisions in the Cooperative Law made the situation worse, leaving no scope for initiative at the level of members or the representatives of the Cooperative Movement. The situation has been further proliferated by the use of legal control for political considerations. This situation was reached in Tamil Nadu during 1976 when the Boards of the State and Central Cooperative Banks were superseded and Special Officers appointed in their place. A decade later (1985), the Boards of Primary Credit Societies were also superseded.

How this has affected the democratic functioning of short-term credit structure consisting of the State Cooperative Bank at the top, the Central Cooperative Bank in the Middle and Primary Agricultural Credit Societies at the bottom? While studying the impact one has to keep

in mind that it is imperative for the government to maintain the Cooperative credit structure because Cooperatives have been used by the government as their agent for the distribution of credit and inputs for agriculture and are being increasingly used to provide credit to weaker-sections for both agricultural and non-agricultural activities. This is made clear by Table 4.5.

TABLE No.4.5

GOVERNMENT (TN) PROGRAMME FOR CREDIT COOPERATIVE

(Rupees in Crores)

S.No.	Particulars	Achievement Programme for	
		during 1990-91	1991-92
		Rs.	Rs.
1.	Issue of S.T. Agricultural loans	243.98	275.92
2.	Issue of M.T. Agricultural loans	40.02	50.00
3.	Share of Weaker-sections in ST & MT Credit (Per cent)	67.8	70.00
4.	Issue of Jewel loans	773.89	640.00
5.	Issue of loans to non-farm sector	23.57	17.00
6.	Distribution of Chemical fertilizers	96.20	100.00

Source: Government of Tamil Nadu, Policy Note of Cooperative Department, 1991.

The table brings home the truth that the government sets targets for achievement by the Cooperatives. While the

Cooperatives have achieved credit distribution of Rs.243.98 crores in 1990-1991, the target for 1991-1992 was fixed at Rs.275.00 crores. While the percentage of weaker-sections in the total S.T and M.T. agricultural credit distributed was 67.8 in 1990-1991, the target for 1991-1992 was fixed at 70 per cent. To fill the credit gap in consumption credit, the Cooperatives were allowed to issue Jewel loan and the achievement for 1990-1991 was Rs.773.89 crores and the target for 1991-1992 was fixed at Rs.640 crores. Similarly the Cooperatives have distributed fertilizers worth Rs.96.20 crores in 1990-1991 and the target for 1991-1992 was fixed at Rs.100.00 crores. From this it is clear that the targets for the Cooperative were set from outside. It is a programme of the government rather than of the Cooperatives.

The Cooperative Department was intimately connected with the working of the Cooperatives even before independence when the movement was predominantly credit oriented. After independence when the government started using the Cooperatives as instruments for implementing National Development Programmes the Department exercised active control over the working of the Cooperatives, particularly, Agricultural

Credit Societies. When supersession was announced, the takeover of the management of the Cooperatives by the Department officials was smooth and efficient, particularly in respect of State and Central Cooperative Banks. This was borne out by the **Policy Note of the Cooperative Department** (1977) which observed: "The special officers have brought in certain amount of discipline and improvement, as a result the total Short-term and Medium-term credit has gone up from Rs.102.85 crores in 1975-76 to Rs.125.12 crores in 1976-77".⁶⁹

Another important factor that should be considered was that after the lack-lustre performance of commercial banks and Regional Rural Banks in the field of agricultural credit, the Cooperatives remained as the only suitable agency for the supply of credit for agriculture. The **Agricultural Credit Review Committee**, 1986 observed: "Experience stretching over nearly two decades, now, of the performance of Commercial Banks and a decade and a half of RRBs has, however, shown that the weakness which were considered as endemic to the Cooperative system have in fact not been the weakness of the Cooperative system itself That the causes lie elsewhere".⁷⁰ The Cooperatives, therefore, remained as the only agency which provided rural credit at reasonable rates.

Could government intervention bring in efficiency in the working of the Cooperatives? Sathchidanand observed: "Supersession of elected boards and nomination of department officials does not ordinarily help efficient management of Cooperatives. Bureaucratic control is no substitute for elected leadership. It has its roots outside the organisation. It has no commitment as such to Cooperative ideology. It may manage a well established enterprise efficiently, but it is incapable of pioneering and developing Cooperative movement".⁷¹

Hans. H. Munkner viewed that "Government intervention will prevent economic efficiency coming in from within the Cooperatives. This will create artificial efficiency directed from outside. However.....this would destroy the Cooperative character of the organisation in question."⁷² Only artificial efficiency could be brought about by the Cooperative officials. This artificial efficiency should be seen in the backdrop of the perennial loan waivers and other concessions announced by the government to contain the mounting overdues.

Here an analysis of the performance of Apex, Central and Primary Credit Societies has been done since supersession of their respective Boards. Then their performance is compared

with the all India average and with that of two Cooperatively active States, Maharashtra and Kerala (Where Democracy still exists). To complete the analysis the participation of members at the grass-root level has been studied.

4.5.1. TAMIL NADU STATE COOPERATIVE BANK

The Tamil Nadu State Apex Cooperative Bank, which was started in the year 1905, is the federation of Central Cooperative Banks. The Bank occupies a significant place in the short-term agricultural credit structure. The Bank channelises the funds provided by the NABARD (from 1982 in place of the RBI) towards Short Term Loans for seasonal agricultural operations, Medium Term Loans for agricultural investment purposes, Medium-Term Conversion Loans, Weaver's Finance and Produce Pledge Loans. Besides, the Bank has been sanctioning reimbursement cash credit limit to Central Cooperative Banks for fertilizer business, general business, distribution of essential commodities, working capital and term-finance to sugar and spinning mills. In addition, the Bank has been sanctioning overdraft limits to Central Cooperatives Banks against Government/Trustee Securities and fixed deposits with the Bank for meeting the general

banking requirements. The bank provides direct financial assistance to other Apex Cooperative institutions like, Co-optex, Tamil Nadu State Land Development Bank, Tamil Nadu Cooperative Marketing Federation, Tamil Nadu Consumers' Cooperative Federation, TAIDO Bank, Tamil Nadu Cooperative Housing Federation, Triplicane Urban Cooperative Society and Tamil Nadu Cooperative Oilseeds Growers' Federation. The Bank has also been channelising the loan assistance provided by the world Bank through the National Cooperative Development Corporation to the Sugar Mills, Tamil Nadu Cooperative Marketing Federation, Co-optex, Saga Serve, etc. for construction of big godowns. The Board of Management of the Bank was replaced by a Special Officer appointed by the government on 10th June, 1976.

THE
4.5.1.1. PERFORMANCE OF/ STATE COOPERATIVE BANK

The quantitative progress with respect to Share Capital, Deposits, Reserves, Borrowings, Working Capital, Loans advanced and Overdues have been assessed in percentages in Table 4.6.

TABLE NO. 4.6

PERFORMANCE OF TAMIL NADU STATE COOPERATIVE BANK DURING 1976-77 TO 1989-90

(Amount Rupees in Crores)

Year	Membership	Share Capital		Deposits			Borrowings		Other	Working Capital	Total advanced loans	Advances for Agri.					Overdues	Profit
		Govt.	Total	Total	Coop.	Other	Total	S. I.				M. I.	M. C. I.	M. R. I.	Total			
1976-77	16	1.26	4.61	8.94	34.97	21.06	56.03	87.14	1.7	158.42	137.45	106.97	3.30	25.94	--	136.21	1.22	1.03
			(2.91)	(5.64)			(35.37)	(55.01)	(1.07)	(100)		(78.53)	(2.42)	(19.05)		(99.09)*		
1977-78	16	1.26	4.71	9.80	53.44	34.40	87.84	107.34	5.45	215.14	182.15	47.28	3.25	57.54	--	108.07	1.76	2.21
			(2.19)	(4.56)			(40.83)	(49.89)	(2.53)	(100)		(43.75)	(3.00)	(53.25)		(59.33)		
1978-79	16	1.26	4.77	12.87	57.63	53.75	111.38	84.73	5.64	219.39	177.43	52.92	7.57	46.71	--	107.20	15.12	3.16
			(2.17)	(5.87)			(50.77)	(38.62)	(2.57)	(100)		(49.37)	(7.06)	(43.57)		(60.42)		
1979-80	16	1.26	5.01	17.58	72.17	58.13	130.30	35.31	6.78	194.98	144.00	23.28	6.60	32.58	--	62.47	22.67	2.95
			(2.57)	(9.02)			(66.83)	(18.11)	(3.47)	(100)		(37.27)	(10.57)	(52.16)		(43.38)		
1980-81	17	1.26	5.02	21.23	92.23	78.34	170.57	25.74	5.72	228.28	109.73	3.82	3.78	5.73	--	13.83	1.76	3.10
			(2.20)	(9.30)			(74.72)	(11.27)	(2.51)	(100)		(28.66)	(28.36)	(42.98)		(12.11)		
1981-82	17	1.26	5.09	22.33	110.32	48.15	158.47	52.10	13.36	251.31	186.39	24.17	2.31	1.66	5.32	33.46	8.74	4.04
			(2.20)	(8.88)			(63.05)	(20.73)	(5.32)	(100)		(72.24)	(6.90)	(4.96)	(15.90)	(17.95)		
1982-83	17	1.26	5.15	28.80	104.70	36.40	141.10	93.92	9.55	278.52	203.30	12.41	1.48	18.45	9.11	41.40	8.96	3.04
			(1.85)	(10.34)			(50.66)	(33.72)	(3.43)	(100)		(29.94)	(3.57)	(44.51)	(21.98)	(20.36)		
1983-84	17	1.26	5.43	32.30	NA	NA	158.00	109.46	11.74	316.93	244.22	28.75	1.68	17.05	11.79	59.27	2.84	1.61
			(1.72)	(10.19)			(49.85)	(34.54)	(3.70)	(100)		(48.51)	(2.83)	(28.73)	(19.89)	(24.26)		
1984-85	17	1.26	5.42	34.33	136.50	40.72	177.22	114.68	14.56	346.21	266.76	32.30	2.18	14.03	12.82	61.33	8.16	1.87
			(1.57)	(9.92)			(51.19)	(33.12)	(4.20)	(100)		(52.67)	(3.55)	(22.88)	(20.90)	(23.00)		
1985-86	17	1.26	5.45	36.19	146.26	55.65	201.91	142.44	17.48	403.47	325.57	51.81	3.59	7.38	13.25	76.03	2.26	2.47
			(1.35)	(8.97)			(50.05)	(35.03)	(4.33)	(100)		(68.14)	(4.72)	(9.71)	(17.43)	(23.35)		
1986-87	17	1.26	5.53	38.73	188.37	62.90	251.27	111.01	17.41	423.95	315.57	70.49	3.64	6.05	20.62	100.80	4.37	1.95
			(1.30)	(1.14)			(59.27)	(26.18)	(4.11)	(100)		(69.93)	(3.61)	(6.00)	(20.46)	(31.94)		
1987-88	17	1.26	5.56	39.80	208.73	67.63	276.40	265.07	26.41	613.24	489.22	97.01	2.37	17.42	33.91	150.71	2.57	3.46
			(0.91)	(6.49)			(45.07)	(43.22)	(4.31)	(100)		(64.37)	(1.57)	(11.56)	(22.50)	(30.80)		
1988-89	17	1.26	5.58	43.92	240.82	75.40	316.22	324.64	31.52	721.88	528.98	113.28	1.34	13.21	44.08	171.91	5.16	5.44
			(0.77)	(6.08)			(43.81)	(44.97)	(4.37)	(100)		(65.89)	(0.79)	(7.68)	(25.64)	(32.49)		
1989-90	17	1.26	5.58	49.90	300.95	86.29	387.24	311.36	35.25	789.33	599.72	142.22	0.79	27.58	51.79	222.38	2.87	9.63
			(0.71)	(6.32)			(49.06)	(39.45)	(4.40)	(100)		(63.95)	(0.36)	(12.04)	(23.29)	(37.08)		

Source: Data compiled from the records of the Tamil Nadu Cooperative Bank. /Notes: 1. Figures in bracket represents percentage to total. (2) † Denotes percentage to total Agricultural loans. (3) * Denotes percentage of Agricultural loans to total loans.

The Table shows the progress of ^{the} State Cooperative Bank during 1976 to 1990. The membership of the Bank consisted of only district Central Cooperative Banks. There was a marginal increase in the membership as two more Central Cooperative Banks were started during the period of study. The government's contribution towards the share capital of the Bank remained the same during the period. The total working capital of the bank which was only Rs.158.42 crores in 1976-1977 increased to Rs.789.33 crores in 1989-1990. In the composition of working capital, the part of Share Capital was minimum as has been evident from Table No.4.6 and the Share Capital constituted only 2.91 per cent of the total working capital in 1976-1977. Since then there was a gradual decline and in 1981-1982 it accounted for only 2.02 per cent and it further declined and in 1989-1990 it accounted for only 0.71 per cent of the total working capital. Reserve Fund, which, is another important source of working capital was Rs.8.94 crores in 1976-1977 and it increased to Rs.49.90 crores in 1989-1990. The percentage of Reserves to total working capital was only 5.64 in 1976-1977. It increased to 10.34 per cent in 1982-1983. Since then there was a declining trend and in 1989-1990 it accounted for only 6.82 per cent of the total working capital. Deposits played a significant

role in the total working capital of the Bank. The importance of deposits lies in the fact that it is cheaper than outside borrowings. Deposits represented 35.3 per cent of the total working capital in 1976-1977. The percentage increased to 74.92 in 1980-1981. The increase is mainly due to reduction in lending for agricultural purposes and consequent reduction in borrowings from R.B.I. The very next year the percentage came down to 63.05 and thereafter it ranged between 43 and 59. The borrowings constituted the most important source of working capital. The borrowings of the Bank which stood at Rs.87.14 crores during 1976-77 increased to Rs.311.36 crores in 1989-90. Borrowings accounted for 55.01 per cent of the total working capital. The percentage declined to 11.24 in 1980-1981 for the simple reason that several Central Cooperative Banks became ineligible to borrow from the R.B.I. and as a result the borrowings of the State Cooperative Bank also declined. Since then the borrowings have increased and as a result its percentage in the total working capital rose to 44.97 in 1988-1989 and then it registered a slight decrease and stood at 39.45 per cent in the year 1989-90. The total loans issued by the Bank increased from Rs.137.45 crores in 1976-1977 to Rs.599.72

crores in 1989-1990. Of the total loans advanced, the percentage for agricultural purposes was as high as 99.09 in 1976-1977. Since then there was a gradual decline and in 1980-1981, when the overdues became very heavy, it reflected on the loans advanced and the percentage was a mere 12.11. Since then there was a gradual increase and in 1989-1990 it accounted for 37.08 per cent of the total loans issued. The overdues of the Bank which touched Rs.22.67 crores in 1979-1980, decreased to 1.76 crores in the very next year and in the following years it ranged between 2.26 crores and Rs.8.96 crores. In the year 1989-1990 it stood at Rs.2.87 crores. The Bank has consistently earned profit during the period of study eventhough there was fluctuations. The profit earned by the Bank stood at Rs.9.63 crores in 1989-1990. Even though the progress was steady, the performance of the Bank in relation to raising of Share Capital and Reserves (Owned funds) was poor. Deposits mobilised by the bank showed progress. The Deposits from the Cooperatives accounted for a major portion as was evident from the fact that out of the total deposit of Rs.387.24 crores in 1989-1990 the Cooperatives accounted for ^{the} 300.95 (77%) crores and from other sources it was only Rs.86.29 crores (33%).

4.5.1.2. TREND ANALYSIS OF PERFORMANCE

The progress with respect to Share Capital, Reserves, Deposits, Borrowings, Working Capital, Total Loans advanced and Overdues of Tamil Nadu State Cooperative Bank was assessed with the help of **Compound Growth Rates**. These growth rates facilitate to understand the specific progress made over a period of time. With a view to obtain the growth rate over the years (1976-1977 To 1989-1990) an **Exponential Fit** of the form $y = ab^t$ has been fitted to the data and the computer results are given in Table 4.7.

TABLE NO.4.7

COMPOUND GROWTH RATES OF SHARE CAPITAL, RESERVES, DEPOSITS, BORROWINGS, WORKING CAPITAL, TOTAL LOANS ADVANCED AND OVERDUES OF TAMIL NADU STATE COOPERATIVE BANK (1976-1977 - 1989-1990)

S.No.	Variable	Regression CGR co-efficient value	S.E.	't' value	
1.	Share Capital	1.55	0.0155	0.0012	12.82*
2.	Reserves	14.25	0.142	0.013	10.73*
3.	Deposits	11.71	0.117	0.010	10.81*
4.	Borrowings	12.76	0.127	0.035	3.58*
5.	Working Capital	11.60	0.116	0.008	13.55*
6.	Total Loans Advanced	11.47	0.114	0.014	7.77*
7.	Overdues	-1.01	-0.010	0.060	-0.167

*Significant at 5 per cent probability level.

The Compound Growth Rate (CGR) was only 1.55 per cent in respect of Share Capital while compound in respect of Borrowings it was a significant 12.76 per cent. The Deposits, Working Capital and Total Loans Advanced registered a CGR of 11.71 per cent, 11.60 per cent and 11.47 per cent respectively. Significantly the overdues registered a negative growth rate of -1.01.

4.5.1.3. COMPARISON OF PROGRESS WITH OTHER STATES AND ALL INDIA AVERAGE

In order to place the progress made by the Tamil Nadu State Cooperative Bank during the period of study in proper perspective its progress relating to Share Capital, Reserves, Deposits, Borrowings, Working Capital, Loans Advanced and Overdues was compared with the All India Average and two Cooperatively active States, i.e. Kerala and Maharashtra. The comparison is presented in Table 4.8.

TABLE NO.4.8

COMPARISON OF PERFORMANCE OF TAMIL NADU STATE COOPERATIVE BANK WITH ALL INDIA AVERAGE, KERALA AND MAHARASHTRA

(Rupees in Crores)

Sl. No.	Particulars	1977-78			1984-85			1987-88					
		Tamil Nadu	All India	Maharashtra	Kerala	Tamil Nadu	All India	Maharashtra	Kerala	Tamil Nadu	All India	Maharashtra	Kerala
1.	Number of Banks	1	26	1	1	1	28	1	1	1	29	1	1
2.	Total Share Capital	4.71 (2.25)	2.97 (4.42)	13.31 (3.36)	2.27 (3.83)	5.43 (1.64)	4.86 (2.96)	14.13 (1.25)	5.70 (2.55)	5.56 (0.95)	6.16 (2.51)	18.83 (1.18)	8.60 (1.98*)
3.	Of which Government	1.26	0.91	4.52	0.38	1.26	0.93	NA	0.38	1.26	1.09	NA	0.38
4.	Reserves	7.93 (3.80)	5.24 (7.80)	42.81 (11.78)	3.01 (5.09)	32.51 (9.80)	14.88 (9.07)	121.95 (40.77)	10.00 (4.47)	41.88 (7.16)	18.86 (7.69)	174.53 (10.92)	14.54 (3.25*)
5.	Deposits	87.83 (42.05)	38.60 (57.40)	259.96 (71.51)	40.68 (68.70)	177.21 (53.43)	105.97 (64.56)	960.98 (84.85)	164.82 (73.60)	272.18 (46.55)	153.09 (62.36)	1335.94 (83.60)	278.30 (64.14*)
6.	Borrowings	108.42 (51.90)	20.43 (30.28)	47.42 (13.05)	13.25 (22.38)	116.51 (35.13)	38.43 (23.41)	35.45 (3.13)	43.40 (19.38)	265.07 (45.34)	67.88 (27.44)	68.76 (4.30)	132.45 (30.53*)
7.	Working Capital	208.89 (100)	67.25 (100)	363.51 (100)	59.21 (100)	331.66 (100)	164.16 (100)	1132.51 (100)	223.92 (100)	584.64 (100)	245.50 (100)	1598.06 (100)	297.45 (100)
8.	Loans Advanced	255.25	77.80	425.39	61.46	392.06	157.75	813.02	148.59	651.35	321.47	2767.05	443.89
9.	Overdue	1.7	3.6	4.61	0.06	8.15	8.74	18.24	0.64	2.5	13.8	2.70	2.09
				(364)	(137)	(294)	(813)	(-68.71)	(58.00)	(-48.35)	(226.56@)		

Source: Data Series II and III, National Resource Centre, NCUI, New Delhi, 1990

Notes: *-Denotes percentage to total working capital

@-Denotes percentage of growth.

The progress in relation to Share Capital was 15.37 per cent for Tamil Nadu during the period 1977-1978 to 1984-1985 while the percentage of increase for the same period at All India was 63.81, for Kerala 151.58 and for Maharashtra 6.14. The percentage for Tamil Nadu was higher than Maharashtra but much lower than Kerala and All India. For the periods 1984-1985 to 1987-1988 the percentage of progress for Tamil Nadu which was 2.39 was much lower than All India (26.62), Kerala (50.88) and Maharashtra (33.26).

Reserves, which, forms an important constituent of owned Funds registered a progress of 310 per cent for the period 1977-1978 to 1984-1985 in respect of Tamil Nadu. The percentage for All India was 183, Kerala 232 and Maharashtra 11.78. While, the progress for the period 1984-1985 to 1987-1988 for Tamil Nadu was higher (28.82) than All India average, it was much lower than Kerala (45 per cent) and Maharashtra (43.12).

Deposits which play a vital role in the Working Capital, showed an impressive increase in respect of Tamil Nadu (101 per cent) but ^{that} was below the all India average (174 per cent), Kerala (305 per cent) and

Maharashtra (269 per cent) during the period 1977-1978 to 1984-1985 while the progress during the period 1984-1985 to 1987-1988 showed that Tamil Nadu's progress (53.56 per cent) was higher than All India (44.46 per cent) and Maharashtra (39.02 per cent) but lower than Kerala (68.85 per cent). In absolute terms the total deposits of Tamil Nadu was only Rs.272.18 crores while for Maharashtra it was a staggering Rs.1335.94 crores for the year 1987-1988.

Borrowings particularly, from NABARD/RBI, which constitute one of the main sources of working capital showed quantitative progress during the period between 1977-1978 and 1984-1985 in respect of all States under study, the respective percentages for Tamil Nadu, All India, Kerala and Maharashtra being 7.46, 88.12, 227 and 25.25. The percentages for the period 1984-1985 to 1987-1988 were higher in respect of Tamil Nadu (127 per cent) and Kerala (205 per cent) but lower in respect of All India average (75.32) and Maharashtra (93.96 per cent).

The progress of working capital showed significant progress in respect of Maharashtra (211 per cent) and Kerala (278 per cent) while for Tamil Nadu it was only 58.77 per cent for the period between 1977-1978 and 1984-1985.

While Tamil Nadu registered a progress of 76.28 per cent it was still lower than Kerala (93.77 per cent) for the period between 1984-1985 and 1987-1988).

The total loans advanced by the respective Banks in Tamil Nadu, Kerala and Maharashtra for the year 1977-1978 were Rs.255.25 crores, Rs.61.46 crores and 425.39 crores. While the percentage of increase for the period between 1977-1978 and 1984-1985 was only 53.6 per cent for Tamil Nadu it was 102.75 per cent for All India average and 91.12 per cent for Maharashtra and 141 per cent for Kerala. The percentage of increase for the period between 1984-1985 and 1987-1988 for Tamil Nadu (66.13 per cent) was much lower than All India (103.78), Maharashtra (240.34) and Kerala (116.90).

The foregoing analysis of the performance of the Tamil Nadu State Cooperative Bank shows that the performance, statistics-wise, was steady if not spectacular. The Bank's performance relating to Share Capital Mobilisation, Reserves and Deposits when compared with Kerala and Maharashtra shows that those States have performed far better than Tamil Nadu particularly in the field of deposit mobilisation. In Loan Operation also the performance of

these States was better than Tamil Nadu. The overdues of the Bank was less than Kerala but higher than Maharashtra. This proves the statement that Government Officials could run a well established institution efficiently but they are incapable of pioneering and developing the Cooperative Movement.

The Apex Cooperative Bank has performed well as agent of the government by implementing its various programmes. The government devises programmes for different sectors of the Movement. The State Cooperative Bank has provided financial support, either channelising through NABARD or out of its own funds, to programmes relating to Agricultural Credit, Rural Development, Fertilizer Distribution, Public distribution System, Term and Cash Credit Accommodation to Sugar and Spinning Mills and also to other Apex Cooperative Federations after obtaining permission from the Registrar.⁷⁶

But an Apex Cooperative Bank should be a Society of Societies, formed by them, worked for and by them.⁷⁷

As **Khusro Committee**, 1986 has stated, the strength of the Cooperatives, unlike many other institutional structures, say in the fact that they have a base and their strength was derived from the membership.⁷⁸ But without the elected Board at the helm this was not even conceivable.

Further the **Khusro Committee, 1986** stated:

"Also a cohesive system can be built only if there is organic relationship between the lower and higher tier ... This can come about only when there is a commonly shared interest in deposit mobilisation as well as profits and reserves The higher tiers will have the same degree of responsibility to extend support to the lower tiers apart from being considered mere share holders."⁷⁹

Analysing from this point, the State Cooperative Bank has failed to have any organic relationship as there was no elected representatives of Central Cooperative Banks in the Board. The participation of State Cooperative Bank in deposit mobilisation, Reserves and Profit-sharing with the Central Cooperative Banks was almost nil. Only in recovery there was a token participation. So the greatest impact was that the Tamil Nadu Cooperative Bank was functioning more as an agent of the government than taking care of the interests of its constituent units, Central Cooperative Banks.

4.5.2. CENTRAL COOPERATIVE BANKS IN TAMIL NADU

The Central Cooperative Banks are the federations of Primary Agricultural Credit Societies and Cooperatives of other types in their respective areas. The Central Cooperative Banks (as on 30.6.1990), numbering Eighteen

(including Madras Central Cooperative Bank which does not undertake agricultural financing) occupy the middle tier in the cooperative credit structure in Tamil Nadu for the provision of Short-term Credit for cultivation operations and Medium Term Credit for subsidiary occupations allied to agriculture. They finance the Primary Agricultural Credit Societies from their own resources consisting of Share Capital, Reserves and Deposits and from the credit limits sanctioned by the NABARD through the Tamil Nadu State Apex Cooperative Bank. They also provide finance to Weavers' Cooperative Societies in their area. There is one Central Cooperative Bank for each district except Thanjavur where there are two Central Cooperative Banks. Following the division of certain districts, the Ramanathapuram Central Cooperative Bank and Tirunelveli District Central Cooperative Bank serve three districts each and the North Arcot District Central Cooperative Bank serves two districts.

4.5.2.1. PERFORMANCE OF CENTRAL COOPERATIVE BANKS

The quantitative progress with respect to Share Capital, Reserves, Deposits, Borrowings, Working Capital, Loans advanced and Overdues has been assessed using percentages in Table 4.9.

TABLE NO. 4.9.

PERFORMANCE OF CENTRAL COOPERATIVE BANKS

(Rupees in Crores)

Year	Share Capital		Agri.				Non-Agri.				Total Loans	Loans outstanding	Overdues	Percentage	Profit				
	Membership	Government	Reserves Total	Deposits	Borrowings	Other sources	Total working capital	M. S.	M. S.	Total						M. S.	M. S.	Cash Credit	
																			Total
1976-77	11,829	8.34	27.78	14.96	99.13	129.29	12.58	283.74	119.33	5.79	125.12	22.79	47.91	70.70	195.82	185.48	19.84	14.6	3.80
		(30.02)	(9.79)	(5.27)	(34.94)	(45.57)	(4.43)	(100)			(64.0)*				(100)				
1977-78	11,605	8.85	31.32	18.16	126.88	126.26	53.71	356.33	126.68	6.44	133.12	27.41	58.33	85.74	212.86	218.84	44.95	24.4	5.87
		(22.26)	(8.79)	(5.09)	(35.62)	(35.43)	(15.07)	(100)			(62.8)				(100)				
1978-79	11,820	9.20	34.24	23.09	158.68	168.57	31.16	415.74	90.23	12.42	102.65	37.80	77.42	117.22	219.87	258.87	90.23	42.7	6.75
		(26.87)	(8.23)	(5.55)	(38.17)	(40.55)	(7.50)	(100)			(46.8)				(100)				
1979-80	11,714	9.40	32.17	28.34	201.52	153.71	35.00	450.74	37.16	5.54	42.70	34.23	26.87	61.10	103.80	271.60	138.43	70.5	5.96
		(29.22)	(7.14)	(6.29)	(44.71)	(34.10)	(7.76)	(100)			(41.4)				(100)				
1980-81	11,851	10.39	32.64	34.95	238.10	73.35	44.19	428.23	21.52	4.25	25.77	39.66	39.75	79.41	611.89	280.23	69.94	31.8	6.75
		(31.83)	(7.71)	(8.26)	(56.26)	(17.33)	(19.44)	(100)			(4.2)				(100)				
1981-82	11,998	9.63	32.91	40.90	273.94	131.45	51.00	530.20	77.20	9.79	86.99	62.76	42.81	105.57	822.91	379.52	84.62	48.4	5.76
		(29.26)	(6.21)	(7.71)	(51.67)	(24.79)	(9.62)	(100)			(10.5)				(100)				
1982-83	11,546	9.67	33.64	44.78	322.46	153.74	53.79	608.41	67.18	15.97	83.15	81.82	63.70	145.52	887.92	417.17	92.98	46.0	5.07
		(28.75)	(5.53)	(7.36)	(53.00)	(25.27)	(8.84)	(100)			(9.3)				(100)				
1983-84	12,541	9.82	37.35	50.72	388.37	179.05	42.61	698.10	75.33	13.22	88.53	111.98	66.34	178.32	1184.50	516.43	95.84	31.0	4.54
		(26.89)	(5.35)	(7.27)	(55.63)	(25.65)	(6.10)	(100)			(7.4)				(100)				
1984-85	12,770	9.89	40.94	54.61	431.34	205.26	53.87	786.02	110.80	17.34	128.14	69.20	67.39	136.59	1365.90	534.38	108.36	34.0	4.10
		(24.16)	(5.21)	(6.95)	(54.88)	(26.11)	(6.85)	(100)			(9.3)				(100)				
1985-86	12,907	9.89	44.57	58.80	500.96	240.23	74.44	919.00	130.88	20.14	151.02	99.63	77.15	176.78	1611.40	676.47	110.76	32.0	3.41
		(22.19)	(4.85)	(6.4)	(54.51)	(26.14)	(8.1)	(100)			(9.3)				(100)				
1986-87	12,893	9.89	49.54	65.71	603.62	228.54	88.09	1035.50	162.45	25.32	187.77	115.67	93.53	109.20	1927.88	727.57	92.73	25.0	6.65
		(19.96)	(4.78)	(6.34)	(58.29)	(22.07)	(8.52)	(100)			(9.7)				(100)				
1987-88	12,630	9.89	58.85	73.40	699.71	365.98	0.45	1198.39	186.52	34.03	220.55	47.51	71.09	118.60	1907.80	963.46	120.45	25.4	9.09
		(16.81)	(4.91)	(6.12)	(58.39)	(30.54)	(0.04)	(100)			(11.5)				(100)				
1988-89	13,012	12.72	66.45	87.35	803.82	285.28	276.00	1118.90	205.04	40.14	245.18	166.61	22.96	189.57	2008.62	1114.32	150.45	22.0	10.96
		(19.14)	(4.37)	(5.75)	(52.92)	(18.78)	(18.18)	(100)			(12.2)				(100)				
1989-90	12,691	14.40	78.37	94.12	979.68	502.66	159.10	1813.93	238.84	41.11	279.95	31.98	148.51	180.49	2150.59	1240.16	301.73	45.0	12.41
		(18.37)	(4.32)	(5.19)	(54.00)	(27.72)	(8.77)	(100)			(13.02)				(100)				

Source: Data compiled from the records of the office of the Registrar of Cooperative Societies, Madras.

Notes: 1. Figures in bracket represents percentage to total

2. * denotes percentage of agricultural loans to total loans.

The Table reveals that the membership of the Banks which stood at 11,829 in 1976-1977 increased to 13,012 in 1988-1989 and came down to 12,691 in 1989-1990. The reason for fluctuation was mainly due to amalgamation of Primary Credit Societies and closing down of defunct Societies.

Share capital showed steady progress, the reason being linkage of share capital with borrowing. While the amount of share capital increased in real terms from Rs.27.78 crores in 1976-1977 to Rs.78.37 crores in 1989-1990, its share in the total working capital steadily declined from 9.79 per cent in 1976-1977 to 4.32 per cent in 1989-1990.

Reserves which includes Reserve Fund, Agricultural Credit Stabilisation Fund and Other reserves created by the Banks also showed steady progress from Rs.14.96 crores in 1976-1977 to Rs.94.12 crores in 1989-1990. But its contribution to total working capital ranged between 5.09 per cent to 8.26 per cent. While its share in the working capital reached 8.26 per cent in 1980-1981, it came down to 5.19 per cent in 1989-1990.

The total Deposits held by the Central Cooperative Banks rose from Rs.99.13 crores in 1976-1977 to Rs.979.68 crores in 1989-1990. In 1976-1977, Deposits accounted for 34.94 per cent of the total working capital. It rose to 56.26 per cent in 1980-1981 when several Central Cooperative Banks in Tamil Nadu became ineligible to borrow. Thereafter it gradually declined and in 1986-1987 it recorded a slight increase and the percentage was 58.29. The next year showed a slight increase, i.e. 58.29 per cent. It then came down to 52.92 per cent in 1988-1989 and afterwards showed a slight increase when the percentage was 54.00. But what should be kept in mind was that Madras, Salem and Madurai Central Cooperative Banks have consistently done well in deposit mobilisation and in 1989-1990 they accounted for 37.77 per cent of the Deposits mobilised by all Central Cooperative Banks.⁸¹

The Banks borrow from the Tamil Nadu State Cooperative Bank, NABARD, State Bank of India and State Government. The total borrowings of Central Cooperative Banks which stood at Rs.129.29 crores in 1976-1977 increased to Rs.168.57 in 1979-1980 and then declined to Rs.73.35 crores in 1980-1981. This was due to the heavy overdues as a result of which several CCBS became ineligible

to borrow. The government allowed legal action against defaulters for short spells in 1980-1981 and 1981-1982 and the Central Cooperative Banks were able to reduce their Overdues considerably and all Central Cooperative Banks became eligible as on 30-6-1981 but three Central Cooperative Banks became ineligible for sanction of credit limits by NABARD and five CCBs for operation on the credit limits sanctioned with reference to the overdues as on 30.6.82.⁸² Thereafter the Borrowings increased steadily until 1988-1989 when it declined. Three CCBs became ineligible to borrow and again Borrowings increased to Rs.502.66 crores in 1989-1990. Borrowings which accounted for 45.57 per cent of the total working capital in 1976-1977 came down to 17.33 per cent in 1980-1981. Thereafter it ranged between 18.78 per cent and 30.84 per cent.

The total loans issued by the Central Cooperative Banks showed impressive progress. But the share of agricultural loans came down to just 4.2 per cent in 1980-1981 and cash credit accounted for 82.81 per cent. This was a reflection of the heavy overdues during 1976-1977 to 1979-1980. With government concession and legal actions the position of overdues improved and as a result all Central Cooperative Banks became eligible to borrow and the loans issued also showed steady progress.

But it still occupied an insignificant place in the total loans issued. The percentage of agricultural loans (both ST and MT) in the loans since 1981-1982 ranged between 7.4 per cent and 13.02 per cent.

The Overdues which was only Rs.19.84 crores in 1976-1977 increased to Rs.138.48 crores in 1979-1980. The very next year it came down to Rs.69.94 thanks to government concessions and legal action. But since then it showed steady increase despite government concessions year after year and the total overdues on 30.6.1990 was a staggering Rs.301.73 crores. The percentage of overdues to Demand which reached 70.5 per cent in 1979-1980 came down to 31.8 per cent (the government announced loan waiver that year) in 1980-1981 but since then the percentage of overdues to Demand which hovered around 25 per cent till 1988-1989 jumped to 45 per cent in 1989-1990.

The profit earned by CCBs fluctuated between Rs.3.41 crores and Rs.6.75 crores during 1976-1977 to 1985-1986. Since 1986-1987 there was continuous increase from Rs.6.65 crores to Rs.12.41 crores. In the profit earned by the CCBs the contribution of Madras Central Cooperative Bank has been significant. In 1989-1990, of the total profit of Rs.12.41 crores, Madras Central Cooperative Bank alone accounted for Rs.5.53 crores.⁸³

4.5.2.2. TREND ANALYSIS OF PERFORMANCE

The progress with respect to Share Capital, Reserves, Deposits, Borrowings, Working Capital, Short-Term Agricultural Loans, Total Loans Advanced, Loans outstanding and Overdues of CCBs in Tamil Nadu was assessed with the help of Compound Growth Rates. These growth rates facilitate to understand the specific progress made over a period of time. With a view to obtain the growth rate over the years (1976-1977 to 1989-1990) an Exponential Fit of the form $y = ab^t$ has been fitted to the data and the computer results are given in Table 4.10.

TABLE NO.4.10

COMPOUND GROWTH RATES OF SHARE CAPITAL, RESERVES, DEPOSITS, BORROWINGS, WORKING CAPITAL, S.T. AGRICULTURAL LOANS, TOTAL LOANS ADVANCED, LOANS OUTSTANDING AND OVERDUES OF CENTRAL COOPERATIVE BANKS IN TAMIL NADU.

S.No Variable	CGR	Regression co-efficient value	S.E.	't' value
1. Share Capital	7.00	0.070	0.007	9.00*
2. Reserves	13.42	0.134	0.006	19.43*
3. Deposits	16.78	0.167	0.003	42.50*
4. Borrowings	9.62	0.096	0.019	5.05*
5. Working Capital	13.30	0.133	0.005	26.20*
6. S.T. Agri. Loans	9.22	0.092	0.037	2.48*
7. Total Loans Advanced	22.50	0.225	0.029	7.65*
8. Loans outstanding	14.68	0.146	0.004	34.24*
9. Overdues	11.32	0.113	0.026	4.20*

* Significant at 5 per cent probability level.

It was observed that the growth rate in respect of Share Capital was a modest 7 per cent while the Reserves showed a better growth rate of 13.42 per cent. There was significant **Compound Growth Rate** of 16.78 per annum in deposits. The Growth Rate in respect of borrowings was 9.62 per cent per annum. The **CGR** in respect of total loans advanced was a remarkable 22.50 per cent but Short-Term Agricultural Loans registered only 9.22 per cent. What was disquietening was that the Overdues too registered a significant Growth Rate of 11.32 per cent.

4.5.2.3. COMPARISON OF PERFORMANCE OF CCBs (AVERAGE) IN TAMIL NADU WITH ALL INDIA, MAHARASHTRA AND KERALA (AVERAGE)

Comparisons do help in placing the progress in proper perspective. Here a comparison has been done in respect of progress of Share Capital, Reserves, Deposits, Borrowings, Working Capital Loans Advanced and Overdues of CCBs in Tamil Nadu with that for All India Average and Maharashtra and Kerala. Mostly percentages were used for comparison. Of the three years chosen, 1977-1998 relates to **V Five Year Plan**, 1984-1985 - to **VI Five Year Plan** and 1987-1988 to **VII Five Year Plan**. These were chosen for comparison for the simple reason that the data were available only for these years. The comparison is presented in Table 4.11.

TABLE NO.4.11
COMPARISON OF PERFORMANCE OF CENTRAL COOPERATIVE BANKS (AVERAGE) IN TAMIL NADU WITH ALL INDIA,
KERALA AND MAHARASHTRA AVERAGES
(Rupees in Crores)

Sl. No.	Particulars	1977-78				1984-85				1987-88			
		Tamil Nadu	All India	Kerala	Maharashtra	Tamil Nadu	All India	Kerala	Maharashtra	Tamil Nadu	All India	Kerala	Maharashtra
1.	Number of Banks	16	338	11	26	17	350	11	26	17	351	11	26
2.	Total Share Capital	1.95 (8.79)	0.87 (10.00)	1.02 (9.27)	1.47 (7.15)	2.41 (4.37)	1.35 (5.90)	1.71 (5.04)	2.74 (4.27)	3.45 (4.60)	1.96 (5.50)	2.40 (4.50)	4.40 (3.91*)
3.	Of which Government	0.55	0.25	0.30	0.32	0.58 (11.73)	0.32 (25.71)	0.52 (71.33)	0.34 (7.81)	0.68 (17.29)	0.58 (80.22)	0.82 (59.44)	0.31 (-10.82)@
4.	Reserves	1.20 (5.40)	0.55 (6.37)	0.65 (5.85)	1.51 (7.30)	3.33 (6.06)	1.37 (6.06)	1.50 (4.40)	3.13 (4.90)	4.46 (6.05)	1.72 (4.91)	2.41 (4.52)	4.30 (3.82*)
5.	Deposits	7.93 (35.60)	4.07 (46.60)	6.32 (57.15)	12.04 (58.29)	28.07 (50.96)	12.34 (54.53)	21.54 (63.32)	46.33 (72.22)	41.79 (56.72)	20.36 (58.21)	30.66 (57.44)	80.99 (71.87*)
6.	Borrowings	10.14 (45.53)	3.00 (31.45)	2.57 (23.28)	4.72 (22.87)	12.07 (34.60)	NA	NA	NA	21.52 (29.47)	NA	NA	NA
7.	Working Capital	22.27 (100.00)	8.74 (100.00)	11.07 (100.00)	20.66 (100.00)	55.09 (100.00)	22.64 (100.00)	34.02 (100.00)	64.16 (100.00)	73.00 (100.00)	34.98 (100.00)	53.38 (100.00)	112.68 (100.00)
8.	Loans Advanced	18.35	6.26	9.35	16.71	34.30 (98.64)	18.50 (195.00)	27.89 (192.00)	NA (101.00)	69.05 (31.20)	24.27 (55.99)	42.73 (55.99)	77.78 (77.78)
9.	Overdues	2.81	1.16	2.23	5.44	6.50 (145.00)	4.18 (87.43)	2.32 (100.00)	7.65 (140.00)	7.06 (8.60)	5.82 (39.23)	5.13 (120.00)	13.58 (77.41)@

Source: As in Table 4.8.

Notes: * -denotes percentage to total working capital. @ -denotes percentage of growth.

The Share Capital increase during the period 1977-1978 to 1984-1985 was 30.84 per cent for Tamil Nadu while it was 54.79 per cent for All India, 67.35 per cent for Kerala and an impressive 85.67 per cent for Maharashtra. For the period between 1984-1985 and 1987-1988 CCBs in Tamil Nadu registered 43 per cent increase in Share Capital which was still lower than All India and Maharashtra averages (60.39 per cent).

In respect of Reserves, the progress for CCBs in Tamil Nadu for the period between 1977-1978 and 1984-1985 was 194 per cent while for All India it was 146 per cent, for Kerala 127 per cent and Maharashtra 110 per cent. For the period 1984-1985 to 1987-1988 the percentage of growth for CCBs in Tamil Nadu was only 32.69 but for Kerala it was 61.05 per cent and for Maharashtra it was 35.36 per cent.

In the Mobilisation of Deposits, the CCBs in Maharashtra were a class apart. The CCBs in Tamil Nadu have not done badly is clear from the fact that the percentage of growth of Deposits CCBs in Tamil Nadu for the period 1977-1978 to 1984-1985 was a significant 276 while that for All India, Kerala and Maharashtra being 204, 240 and 286 respectively. Three years later in 1987-1988

the percentage of progress of Deposits over the base year 1984-1985 for CCBs in Tamil Nadu was 48.87, while for Kerala it was 42.35, for Maharashtra 74.79 and All India 64.91.

The working capital of CCBs showed a growth trend of 162 per cent for the period 1977-1978 to 1984-1985 in the case of Tamil Nadu while the percentages for Maharashtra, Kerala and All India were of the order of 210, 208 and 159 respectively. For the next period between 1984-1985 and 1987-1988 the growth percentages for the other two States were much higher than Tamil Nadu i.e. Tamil Nadu 33.75; Kerala 56.90; and Maharashtra 75.62.

The Total Loans advanced by CCBs (average) for the period between 1977-1978 and 1984-1985 showed a progress of 98.64 per cent for Tamil Nadu while for All India it was 195 per cent and for Kerala it was 192 per cent. For the period between 1984-1985 and 1987-1988, the CCBs in Tamil Nadu registered a growth percentage of 101, the percentages for All India and Kerala being 31.21 and 55.19. In absolute terms the Total Loans issued per bank was highest in Maharashtra i.e. Rs.77.78 crores, while it was only 69.05 crores in Tamil Nadu for the year 1987-1988.

The Overdues of CCBs increased steadily in Tamil Nadu, Kerala, Maharashtra and also All India average. The Overdues per Bank as on 30.6.1988 for Tamil Nadu was Rs.7.06 crores, for All India Rs.5.82 crores, Kerala Rs.5.13 crores and Maharashtra Rs.13.58 crores.

The foregoing analysis of performance of CCBs in Tamil Nadu shows that the progress (1976-1977 To 1989-1990) in respect of mobilisation of Share Capital, Reserves and Deposits was good. Particularly in respect of Deposits, the growth was impressive (CGR -16.78) but that was mainly due to the performance of certain Central Cooperative Banks, particularly those of Madras, Salem and Madurai. The borrowings of the Banks also increased after the initial decline when around 1980-1981 three CCBs became ineligible to borrow and five CCBs became ineligible for operation of Credit Limits. The timely loan waiver by the government saved the CCBs and they became eligible to borrow again from NABARD. The Total Loan issued showed progress, the CGR for the period was 22.50 per cent, but the CGR for Short-Term Agricultural Loans was only 9.22. The Overdues of the Banks also increased steadily registering a Growth Rate of 11.32.

The comparison of performance with All India, Maharashtra and Kerala average with that of Tamil Nadu

reveals that in respect of Share Capital Mobilisation of Deposits and working capital, the other two states have performed better, particularly, in the field of Deposit Mobilisation. The Overdues problem seems to be an universal problem and the Overdues of Tamil Nadu CCBs (average), Rs.7.06 crores, was higher than Kerala Rs.5.13 and All India Rs.5.82 crores.

The volume of credit (ST and MT) provided by the CCBs was decided by the government. Since 1980 the CCBs started issuing Consumption Loans because the government wanted to fill the credit gap for such loans. The government used Central Cooperative Banks to provide the credit as part of the Integrated Rural Development Programme (IRDP) and Drought Prone Area Programme (DPAP) since 1978. Special Foodgrains Production Programme (SFPP) in respect of Paddy, Jowar and Ragi was implemented by selected CCBs in Tamil Nadu since 1988-1989. An Oil Seeds Production Programme (OSPP) was introduced through CCBs since 1988-1989, availing refinance from NABARD, the CCBs issued loans to small scale industries and housing.⁸⁴ It is evident that the government has reduced the CCBs in Tamil Nadu to the level of mere instruments for implementing various programmes. The

organic relationship between the Central Cooperative Banks and their constituent units (mainly PACs) was lost because the PACs had no say in the management of CCBs which are supposed to be federations of PACs and other Societies in their area of operation. Except for sanctioning of loans and collection of loans, the CCBs had not taken any other measure to improve the working of PACs. The impact in respect of CCBs was that instead of working for their constituent units they worked more as agents of the government at the expense of their constituent units.

4.5.3. PRIMARY AGRICULTURAL CREDIT SOCIETIES IN TAMIL NADU

The base for Short-term credit structure is the Primary Agricultural Credit Societies or the Primary Agricultural Cooperative Banks as they are called in Tamil Nadu. These Societies provide Short-Term Credit for seasonal agricultural operations and Medium Term Credit for undertaking subsidiary activities allied to agriculture. In 1965-1966, a decision was taken to re-organise the Agricultural Credit Societies into viable units and as a result the number of Agricultural Credit Societies declined from 11,021 as on 30.6.1962 to 4778 as on 30.6.1976.⁸⁵

Since then the watch-word has been viability. As on 30.6.1990 there were 4614 such Societies. This number includes 26 Farmer's Service Cooperative Societies and 18 Large sized Multi Purpose Cooperative Societies (LAMP). The total number of agricultural families in the State was 77.06 lakhs as per 1985-1986 Agricultural Census. The number of families of small and marginal farmers was 67.58 lakhs. The coverage of Primary Agricultural Credit Societies of agricultural families and of the families belonging to small and marginal farmers was 75.8 per cent and 72.8 per cent respectively.⁸⁶ The Boards of Primary Agricultural Credit Societies were superseded on 28.9.1985. Eventhough no elections were held to Cooperatives since 1976, the period of office of the exisisting Board had been extended vide Section 27 (3)(a)(a) of the **TNCS Act, 1961** and vide Section 35(5) of the **TNCS Act, 1983**, Which came into force on 13th April 1988. Elections were held to Primary Agricultural Credit Societies in September, 1990. Again in July,1991 the Committeeswere superseded.

4.5.3.1. PERFORMANCE OF PRIMARY AGRICULTURAL CREDIT SOCIETIES

The quantitative progress during 1984-1985 - 1989-1990 with respect to Membership, Share Capital, Reserves, Deposits, Borrowings, Working Capital, Loans Issued and Overdues of Primary Agricultural Credit Societies has been assessed in Table 4.12.

TABLE NO.4.12
PROGRESS OF PRIMARY AGRICULTURAL CREDIT SOCIETIES (1984-85 - 1989-90)
 (Rupees in Crores)

Years	Membership (Lakhs)		Share Capital		Reserves	Deposits	Government and Others	Borrowing Central Agencies	Working Capital	Loans issued		M. I.	Total	Outstanding	Overdues	Percentage of Overdue to demand
	Total	Horrowings	Total	Government						ST	MT					
1984-85	57.92	17.01	51.66	12.24	35.62	31.81	146.58	283.76	569.83	110.80	177.70	17.34	195.04	315.59	150.51	45.5
	(29.36)	(9.49)	(23.69)	(6.54)	(6.54)	(5.85)	(26.00)	(52.12)	(100)	(62.35)	(91.11)	(8.89)	(100)			
1985-86	58.82	28.91	55.69	12.22	36.87	38.41	162.71	324.29	617.97	130.88	269.44	20.14	289.58	359.70	156.99	44.4
	(49.14)	(9.71)	(21.94)	(5.97)	(6.21)	(26.33)	(52.48)	(100)		(48.57)	(93.05)	(6.95)	(100)			
1986-87	60.13	29.15	60.69	12.51	37.92	55.76	144.81	346.03	645.01	162.45	279.87	25.31	304.18	232.59	146.70	33.7
	(48.47)	(9.44)	(20.61)	(5.89)	(8.67)	(22.20)	(53.80)	(100)		(58.25)	(91.68)	(8.32)	(100)			
1987-88	60.69	32.50	67.60	13.36	41.83	83.61	47.59	451.06	701.51	186.82	394.22	34.04	428.26	510.76	179.03	41.2
	(53.55)	(9.74)	(13.92)	(6.08)	(12.15)	(6.48)	(65.55)	(100)		(47.39)	(92.05)	(7.95)	(100)			
1988-89	65.76	33.72	76.37	14.11	50.34	120.44	297.16	467.28	1012.70	205.04	441.86	40.14	482.00	499.54	226.43	36.0
	(51.27)	(7.65)	(18.47)	(5.04)	(12.06)	(28.46)	(46.79)	(100)		(46.40)	(91.67)	(8.33)	(100)			
1989-90	67.89	35.99	84.09	16.46	55.36	171.84	212.27	728.24	1251.80	233.84	532.92	41.11	574.03	771.49	398.33	55.6
	(53.01)	(6.72)	(19.57)	(4.42)	(13.73)	(16.96)	(58.17)	(100)		(43.88)	(92.84)	(7.16)	(100)			

Source: As in Table 4.9

Notes: Figures in bracket represents percentage to total.

*-denotes percentage of Government Share Capital to total Share Capital.

Ⓔ-denotes percentage of agricultural loans in total ST loans

Ⓕ-denotes percentage of ST loans to total loans.

It is clear that the membership of the Primary Agricultural Credit Societies increased from 57.92 lakhs in 1984-1985 to 67.89 lakhs in 1989-1990. This was mainly due to the 'obsession' of the government to bring all agricultural families, particularly, weaker-sections, under the fold of Cooperatives. The government has been providing Rs.100/- as share capital subsidy to the schedule caste members to enrol them into the membership of Societies since, 1981. But the borrowing membership was always below 54 per cent.

The share capital of the Primary Agricultural Credit Societies showed progress during the period of study. This was mainly due to the linking of share capital with loans advanced. The ratio required is 1:10 for others and for weaker-sections the requirement has been 5 per cent. The proportion of share capital to working capital which was 9.49 per cent in 1984-1985 came down to 6.72 per cent in 1989-1990.

The total reserves increased from Rs.35.62 crores in 1984-1985 to Rs.55.36 crores in 1989-1990. But the share of Reserves which was insignificant at 6.54 per cent of the total working capital in 1984-1985 further came down to 4.42 per cent in 1989-1990.

Deposits played an insignificant role in the total Working Capital during the period of study. The deposits accounted for only 5.85 per cent of the total Working Capital in 1984-1985 but showed improvement in course of time and in 1989-1990 their percentage to working capital was 13.78. One of the important reasons for the increase in Deposits was that the Primary Agricultural Credit Societies were allowed to offer 1.5 per cent more interest than commercial Banks on similar Deposits.

Borrowings are the main-stay of Primary Agricultural Credit Societies. The borrowings accounted for nearly 2/3 of the total Working Capital of these Societies. In 1984-1985 the Borrowings from central financing agencies accounted for 52.12 and that from government and other sources accounted for 26.00 per cent of the total Working Capital. The percentages for the year 1989-1990 were 58.17 (CCBs) and 16.96 (Government and Others) of the total Working Capital. In other words the percentage of Borrowings to total Working Capital was always above 70 per cent during the period of study.

The Loans issued by the Primary Agricultural Credit Societies increased from Rs.195.04 Crores in 1984-1985 to Rs.574.03 crores in 1989-1990. Of the Total Loans

issued, the Short-Term Loans accounted for a major share, i.e. 91.11 per cent, 93.05 per cent, 91.68 per cent, 92.05 per cent, 91.68 per cent and 92.84 per cent respectively for 1984-1985, 1985-1986, 1986-1987, 1987-1988, 1988-1989 and 1989-1990. Of the total Short-Term Credit, the credit for agricultural purposes which accounted for 62.36 per cent in 1984-1985 declined to 48.57 in 1985-1986. After registering 58.25 per cent in 1986-1987, it gradually declined and in 1989-1990 it accounted for only 43.89 per cent.

The overdues of Primary Agricultural Credit Societies have always remained high. It was Rs.150.51 crores in 1984-1985 and increased to Rs.156.69 crores in 1985-1986. In the very next year it came down to Rs.146.70 crores. The reason being the waiver of interest, penal interest and interest on Overdues on the following agricultural loans as on 31st March, 1986; (i) Short-Term Loan (ii) Medium-Term Loan (iii) Medium-Term Conversion, Repayment Loan including Consolidated Loans outstanding amounting to Rs.15 crores.⁸⁷ The percentage of Overdues to Demand was also very high during the period of study. It came down to 33.7 per cent in 1986-87 but again increased to 55.6 per cent in 1989-1990.

4.5.3.2. VIABLE SOCIETIES

Since 1865 the Government of Tamil Nadu has been trying to reorganise the Primary Cooperative Societies in Tamil Nadu. This process continued during the period of study also. Whether this has any impact on the profitability of the Societies? As M.L. Dantwala observed, this amounted to "no more than a scheme of reduction in number of PACS, in as much as there has been no discernible change in their functioning". The position of Viable Societies in the State during the period of study is given in Table 4.13.

TABLE NO.4.13
VIABILITY OF PRIMARY AGRICULTURAL CREDIT
SOCIETIES (TN)
 (Rupees in Crores)

Year	Number of Societies	Profit		Loss		Viability			Societies with paid Secretaries
		Societies	Amount	Societies	Amount	Viabile	Potentially	Non-Viable	
1984-85	4664	1839	6.10	2797	50.22	3414	971	279	4508
1985-86	4674	1832	7.69	2822	48.27	3435	738	501	4512
1986-87	4669	2297	18.37	2337	34.67	3200	1130	339	4522
1987-88	4620	1384	10.08	3219	39.20	3284	113	1223	4554
1988-89	4618	1536	11.62	3027	46.90	4272	346	NIL	4554
1989-90	4614	1723	8.31	2861	47.72	3163	1008	443	4554

Source: As in Table 4.9.

Table 4.13 reveals that in 1984-1985 there were 3414 Viable Societies and 1971 of them had been classified as Potentially Viable and 279 Non-viable. The number of Profit-earning societies was 1839 in 1984-1985 and the total profit was Rs.6.10 crores. 1986-1987 recorded the highest number of profit earned societies and profit earned, the number being 2297 and profit Rs.18.37 crores. This was the year when interest waiver was announced. In the very next year, there was a dramatic decline and the number of profit-earning Societies were reduced to 1384 and the profit came down to Rs.10.18 crores. The year 1988-1989 registered a modest improvement over the previous year but in 1989-1990 the number of profit earning Societies increased (1723) but the profit earned declined to Rs.8.31 crores. While the Societies which incurred loss fluctuated, the amount of loss steadily increased and the total loss stood at Rs.47.72 crores in 1989-1990. At the end of the period of study, 4554 Societies had paid Secretaries. In 1989-1990 there were 3168 Viable, 1008 potentially Viable and 443 Non-viable Societies.

4.5.3.3. TREND ANALYSIS OF PERFORMANCE

The progress with respect to Membership, Borrowing members, Share Capital, Government Share Capital, Reserves, Deposits, Borrowings, Working Capital, Short-Term Loans Advanced (TOTAL), Short Term Loans for Agriculture, Medium-Term Loans and Overdues of Primary Agricultural Credit Societies was assessed with the help of **Compound Growth Share Rates**. These growth rates facilitate to understand the specific progress made over a period of time. In this case between 1984-1985 and 1989-1990, with a view to obtain the Growth Rate, an **Exponential Fit** of the form $Y = ab^t$ has been fitted to the data and the computer results are given in Table 4.14.

TABLE NO.4.14.

COMPOUND GROWTH RATES OF MEMBERSHIP, BORROWING MEMBERS, SHARE CAPITAL, GOVERNMENT SHARE CAPITAL, RESERVES DEPOSITS, BORROWINGS, WORKING CAPITAL, ST LOANS, ST AGRICULTURE, MT LOANS & OVERDUES OF PACS IN TAMIL NADU DURING 1984-85 TO 1989-90

Sl. No.	Variable	CGR	Regression co-efficient value	S.E	't' Value
1.	Membership	13.25	0.032	0.005	6.21*
2.	Borrowings Members	12.33	0.123	0.037	3.25*
3.	Share Capital	9.95	0.099	0.004	23.01*
4.	Government Share Capital	5.65	0.056	0.012	4.61*
5.	Reserves	9.25	0.092	0.011	7.86*
6.	Deposits	35.05	0.350	0.015	22.69*
7.	Borrowings	14.26	0.142	0.036	3.92*
8.	Working Capital	15.86	0.158	0.028	5.61*
9.	ST Loans (Total)	20.91	0.209	0.021	9.62*
10.	ST Agriculture	16.26	0.162	0.015	10.32*
11.	MT Loans	19.09	0.190	0.019	9.93*
12.	Overdues	17.61	0.176	0.05	3.36*

Note: Significant at 5 per cent probability level.

It is discernible from Table 4.14 that the CGR for membership was higher (13.25) than that for Borrowing Members (12.33). While the GR for Share Capital (9.95) and Reserves (9.25) were only modest, that for Deposits (35.05 per cent) and Borrowings (14.26 per cent) were much higher. The total S.T. Loans issued registered a GR of 20.91 per cent, that for S.T. Agricultural Loans was only 16.26 per cent. The GR for M.T. Loans was 19.09 per cent. What was disturbing was that overdues also registered an impressive GR of 17.61 per cent.

4.5.3.4. COMPARISON OF PROGRESS MADE BY PRIMARY AGRICULTURAL CREDIT SOCIETIES (AVERAGE PER SOCIETY) IN TAMIL NADU WITH OTHER STATES AND ALL INDIA (AVERAGE)

In order to place the progress made by the Primary Agricultural Credit Societies in Tamil Nadu in proper perspective, its progress relating to Membership, Share Capital, Government Share Capital, Reserves, Deposits, Loans advanced and Overdues with that of All India (average) and the average per Society in Kerala and Maharashtra was made.^{BH} The comparison is presented in Table 4.15.

TABLE NO.4.15

COMPARISON OF PERFORMANCE OF PACS (AVERAGE) IN TAMIL NADU WITH ALL INDIA, KERALA AND MAHARASHTRA
AVERAGES

(Rupees in Lakhs)

Sl. No.	Particulars	1984-85					1987-88						
		Tamil Nadu	All India	Kerala	Maharashtra	Tamil Nadu	All India	Kerala	Maharashtra	Tamil Nadu	All India	Kerala	Maharashtra
1.	Number of Societies	4667	91749	1538	18368	4620	90081	1575	18369				
2.	Membership (Actuals)	1290	750	3360	320	(-1.08)	(-1.82)	(2.41)	(0.005)				
3.	Total Share Capital	1.25	0.84	3.26	0.87	(1.78)	(29.33)	(40.48)	(15.63)				
4.	Of which Government	0.23	0.13	0.40	0.02	(0.29)	(30.46)	(42.77)	(40.54)				
5.	Reserves	0.57	0.27	1.63	0.24	0.27	0.17	0.51	0.04				
6.	Deposits	1.26	0.57	17.78	0.08	(12.93)	(31.80)	(25.89)	(58.66)				
7.	Loans Advanced	3.30	2.94	23.75	2.01	0.50	0.37	3.28	0.27				
8.	Loans Outstanding	9.26	4.33	25.65	3.38	(11.28)	(33.09)	(101.94)	(11.88)				
9.	Overdues	3.37	4.90	1.77	1.22	1.16	0.89	31.43	0.10				
						(7.34)	(57.18)	(76.72)	(18.71)				
						5.35	4.09	35.61	3.63				
						(66.67)	(33.33)	(50.00)	(81.00)				
						6.62	5.85	37.59	5.39				
						(22.22)	(31.02)	(42.31)	(59.46)				
						3.82	NA	8.37	1.90				
						(13.00)		(372.00)	(55.00)				

Source: As in Table 4.8.

Note: Figures in bracket represent percentage of growth.

The Table reveals that in 1984-1985, there were 4667 Societies in Tamil Nadu, 1538 Societies in Kerala and 18,368 Societies in Maharashtra . While the number of Societies in Tamil Nadu declined to 4620 (-1.08 per cent), the number of Societies in Kerala increased to 1575 (2.41 per cent), and that in Maharashtra to 18,369 (0.005) in 1987-88.

The increase in Membership (per Society) was only 1.78 per cent for the period between 1984-1985 and 1987-1988 for Tamil Nadu while it was an impressive 40.48 per cent for Kerala, 15.63 per cent for Maharashtra and 29.33 for All India.

The Total Share Capital per Society in 1984-1985 for Tamil Nadu, All India, Kerala and Maharashtra being Rs.1.25 lakhs, Rs.84 lakhs, Rs.3.26 lakhs and Rs.87 lakhs respectively. In Maharashtra, the Total Membership and Share Capital were low because the State did not undertake re-organisation of the Societies. The percentage of increase of Share Capital for the period between 1984-1985 and 1987-1988 was only 0.20 for Tamil Nadu, while it was a significant 42.77 per cent for Kerala and 40.55 for Maharashtra.

In Reserves, the PACS in Tamil Nadu registered a growth percentage of 11.28 over the years 1984-1985, while it was a staggering 101.94 per cent for Maharashtra and 35.09 per cent for All India for the same period.

Deposits per society for Tamil Nadu was Rs.1.26 lakhs, for All India Rs.57 lakhs, for Maharashtra Rs.08 lakhs and for Kerala Rs.23.75 lakhs. While the Deposits per Society for the year 1987-1988 for Tamil Nadu was Rs.1.6 lakhs (7.34 per cent), for Maharashtra it was Rs.0.10 lakhs, for All India Rs.0.89 and for Kerala Rs.31.43 lakhs. While Tamil Nadu has performed better than Maharashtra, it was way below the Kerala average.

The per Society Loans advanced for Tamil Nadu was Rs.3.30 lakhs, Rs.2.94 lakhs for All India, Rs.23.75 lakhs for Kerala and Rs.2.01 lakhs for Maharashtra in 1984-1985. In 1987-1988, the loans advanced by PACS (average) in Tamil Nadu was Rs.5.35 lakhs, Rs.4.09 lakhs for All India, Rs.35.61 lakhs for Kerala and Rs.3.63 lakhs for Maharashtra. Here also Kerala was a class apart and the Tamil Nadu average was nowhere near it.

The problem of Overdues is not peculiar to Tamil Nadu alone which is an all India phenomenon. What was particularly disturbing was that despite several concessions announced, the Overdues have remained high and the amount of Overdues showed significant decline only when there was a significant concession. The Overdues per Society in Tamil Nadu which was Rs.3.37 lakhs in 1984-1985 increased to Rs.3.82 lakhs in 1987-1988. For Kerala it was Rs.1.77 lakhs and Rs.8.37 lakhs for the same years. In Maharashtra it increased from Rs.1.22 lakhs in 1984-1985 to Rs.1.90 lakhs in 1987-1988.

4.6 THE IMPACT ON MEMBERS

A Cooperative is described as an economic democracy which combines the values of freedom and initiative with the advantage of large-scale organisation through its federal set-up. In the early years of Planning in India the Cooperative Movement was recognised for its intrinsic worth. The **Second Five Year Plan** categorically stated that the Cooperative Sector "give a sense of value, balance and direction to the whole planning process."⁸⁹ This kind of formulation was soon relegated to the background and Cooperatives came to be regarded as mere instruments of government policy. Here it is pertinent to present the

observation of ILO through its publication, **Cooperative Legislation for Afro-Asian Countries**: "The Cooperatives founded by the administration by and large were neither strong nor had popular support nor their members practice Cooperative principles and practices. And when such government sponsored Cooperatives made mistakes the government armed the department with more powers of control. The result had been many useless, many only paper Cooperatives and many only considered as government bodies by member".⁹⁰

On the basis of the above observation, if we analyse the performance of Primary Agricultural Credit Societies in Tamil Nadu one would inevitably arrive at the conclusion that with the introduction of State aid to Cooperatives, the government intervention has increased year after year. This is evident from the fact that the structure of base level Cooperatives of the Agricultural Credit Sector was changed from the old Village Credit Societies with unlimited liability to the large sized Cooperatives with limited liability, further modified into Service Cooperatives, Farmer Service Cooperatives, etc. without the intake of Cooperative

opinion. The Cooperative Law in the State has been amended from time to time to tighten the grip of the State on the Cooperatives. Compulsory membership, compulsory amendment to Bye-laws, Compulsory amalgamation, restriction on serving as Office-bearers, power to five directives, etc. fall in this category. Further, the Cooperatives have been increasingly used to implement Rural Development Programmes and other development programmes of the government. However 'the last straw on the camel's back' was the Legislative Measure of superseding the Boards of Primary Agricultural Credit Societies in 1985. Here the effect of increased government intervention, ending with the supersession of their Boards, on the membership of Primary Agricultural Credit Societies has been studied on the basis of a Survey undertaken during November 1990 among 120 members selected from four Primary Agricultural Credit Societies in Thanjavur District. It is generally accepted that if a Cooperative is to be successful, the level of knowledge of members about their society as well as Cooperative principles, their identification with fellow members, their participation in business and last, but not least their participation in management should be high. This study of impact on members is confined to analysis of the above mentioned variables.

4.6.1. PROFILE OF SOCIETIES

The Primary Agricultural Credit Societies in Tamil Nadu conform to a pattern because their structure was decided by the government on the basis of viability norms fixed by the government from time to time. Generally the Primary Agricultural Credit Societies cover three to five villages except in the case of Farmer's Service Cooperative Societies which cover a larger area, i.e. 10 villages. All the selected Societies had paid Secretaries. The Membership, Villages Covered, Share Capital, Reserves, Deposits, Borrowings, Loans advanced, Overdues and Profit/Loss of the selected Societies have been presented in Table 4.16.

TABLE NO.4.16

GENERAL PROFILE OF SOCIETIES SELECTED
(As on 30.6.1992)

(Amount in Rupees)

Sl. No.	Particulars	Society A	Society B	Society C	Society D
1.	Membership	2,383	8,425	1,971	2,412
2.	Villages Covered	3	10	5	3
3.	Share Capital	7,15,783	7,15,113	2,32,815	1,86,706
4.	Reserves	12,026	9,891	25,046	2,37,246
5.	Deposits	13,16,746	28,39,511	2,89,129	6,42,926
6.	Borrowings	20,90,052	22,72,405	13,58,790	17,27,206
7.	Loans Advanced (Both ST and MT)	3,71,157	10,83,000	9,12,000	15,60,069
8.	Overdue	4,75,038	19,11,677	9,41,000	10,63,552
9.	Profit/Loss	- 5,13,019	- 30,398	12,521	49,042

Society A - Porayar Primary Cooperative Bank Ltd.

Society B - Kachanam Farmers Service Cooperative Society Ltd.

Society C - Agani Primary Cooperative Bank Ltd.

Society D - Pandarvadi Cooperative Bank Ltd.

Source: Compiled from the Annual Reports of respective Societies.

From Table 4.16 it is seen that the membership of the Societies A, C and D was of the order of 2382, 1971 and 2412, while the membership of Society 'B' was 8425 as it covered 10 villages. The Share Capital of the Societies A, C and D was Rs.2,07,783, Rs.2,32,815 and Rs.1,86,706 respectively on account of its higher Membership, the Society B had a share capital of Rs.7,15,113. In respect of Reserves, the Society 'D' was a class apart (Rs.2,37,246) while Society A has Rs.12,026, and Society C has Rs.25,046, Society 'B' was way behind and the Reserves amounted to only Rs.9891. In Deposit Mobilisation the performance of Societies 'A' and 'B' was better than Societies 'C' and 'D'. The Borrowings of the Societies were of the order of Rs.20,90,052, Rs.22,72,405, Rs.13,58,796 and Rs.17,27,206 respectively for societies "A", "B", "C" and "D". In the area of total loans advanced by the Society, the performance of Society D was much better than others. It has issued loans amounting to Rs.15,60,069, while Society 'B' issued Rs.10,83,000 and Society 'C' Rs.9,12,000. But, Society A had issued loans totaling only Rs.3,71,157. The Overdues of Societies 'B', 'C' and 'D' were of the order

of Rs.19,11,677, Rs.9,41,000 and Rs.10,63,552.

But the Overdues of Society A was comparatively lower at Rs.4,75,038. While Societies 'A' and 'B' incurred loss, Societies 'C' and 'D' earned profit during 1989-1990.

4.6.2. CHARACTERISTICS OF RESPONDENTS OF SAMPLE SOCIETIES

An analysis of the socio-economic characteristics of the respondents of the sample Societies is given in Table 4.17. This would help to explain the level of participation of members in management and in other activities of their Societies.

TABLE No.4.17
CHARACTERISTICS OF RESPONDENTS OF SAMPLE SOCIETIES

Sl.No.	Personal - Socio-Economic Profile	Number of Res-pondents (Total 120)	Percen-tage
1.	Age - Young	32	26
	Middle	43	35
	Old	45	39
2.	Sex - Male	100	83
	Female	20	17
3.	Education Illiterate	12	10
	Primary	52	43
	High School	46	39
	College	10	8
4.	Occupation Agriculture	98	82
	Others	22	18
5.	Economic Status High	13	10
	(Annual Income) Medium	35	29
	Low	72	61
6.	Social Participation		
	High	8	7
	Medium	20	17
	Low	92	76
7.	Period of Membership		
	Upto 5 Years	24	20
	5 To 10 years	44	36
	Above 10 years	52	44

Source: Data Collected through Schedule from Respondents.

Table 4.17 reveals the socio-economic characteristics of the selected Respondents. Of them, 26 per cent were young, 35 per cent middle aged and 39 per cent old. Sex-wise classification of Respondents shows that 83 per cent were male. The education level of Respondents reveals that 10 per cent were illiterates, 8 per cent college educated. 43 per cent educated upto Primary level and 39 per cent High School educated. With reference to occupations, the members of Primary Agricultural Credit Societies could be classified into two major groups, Agriculturists and Non-agriculturists. Among the selected Respondents 82 per cent were Agriculturists while 18 per cent pursued other occupations. A classification on the basis of economic status shows that 10 per cent belonged to the High Income Group, 29 belonged to the Middle Income Group and 61 belonged to the Low Income Group. The level of social participation among the respondents was not very high as only 7 per cent were socially very active, 17 per cent reported medium social participation and 76 per cent were not socially very active. A classification on the basis of period of membership shows that 20 per cent of the Respondents were members of the Society for 5 years, 36 per cent reported a period of membership of 5 to 10 years and 44 per cent were members for a period of over 10 years.

4.6.3. LEVEL OF COOPERATIVE EDUCATION

A Cooperative Movement cannot be effective unless the ideals of cooperation are imbibed, nurtured and cultivated. A systematic, well-planned, purposeful and continuous education on Cooperative principles and practice is the surest means of fostering the ideals of cooperation in the minds of members. As W.P. Watkins, Former President of I.C.A, observed, "Effective member-participation requires a parallel educational system which widens and deepens, stage by stage, the active cooperator's knowledge of cooperation".⁹¹ The Primary responsibility of educating members is that of the society, itself. But, in India, since the movement was sponsored by the government, the task of educating the members was also taken up by the government. In Tamil Nadu, the Tamil Nadu Cooperative Union, through its District Cooperative Unions (16 in Number) conducts member-education Programmes. The Member-education Programmes conducted by the Tamil Nadu Cooperative Union are given in Table 4.18.

TABLE NO.4.18
MEMBER-EDUCATION PROGRAMME

Sl.No.	Year	Classes	Members Educated
1	1987-99	906	1,20,633
2	1988-89	1719	90,111
3	1989-90	1789	1,26,615

Source: Tamil Nadu Cooperative Union.

It is observed that in 1987-1988 the number of classes conducted was 906 and the number of members educated stood at 1,20,633. The following year, while the number of classes conducted increased, the number of members educated came down to 90,111. The year 1989-1990, the number of classes (1789) as well as number of members educated (1,26,615) showed progress. But the officials, themselves admitted that the response to the programme was not good since the supersession of elected Boards.

4.6.3.1. KNOWLEDGE OF COOPERATION

To find out the extent of member's knowledge of Cooperation a number of questions such as - what was the purpose of cooperation? To whom does the society belong? To whom does the ultimate authority vest in a cooperative

society? etc. were asked. The knowledge of Cooperation was measured by a scale (appended) based on the various questions discussed above. On the basis of scores, the knowledge was categorised into three levels: low, medium and high. The member's knowledge of Cooperation is presented in Table 4.19.

TABLE NO.4.19
KNOWLEDGE OF COOPERATION

Sl.No.	Level of Knowledge	Number of Members	Per cent
1	High	6	5
2	Medium	21	17
3	Low	93	78
	Total	----- 120	----- 100

Table No.4.19 shows that the level of Cooperation Knowledge among the selected members was very low. The percentage of members reporting High Cooperatives Knowledge was only 5 while the percentage of members reporting low Cooperative Knowledge was as high as 78 and the percentage members reporting Medium Knowledge was only 17 per cent. A study⁹² conducted by O.R. Krishnasami among 194 members of PACS in the mid sixties showed that the percentage of

members reporting Medium Cooperative Knowledge was 58 and the percentage reporting Low Cooperative Knowledge was 41 per cent. The declining trend in the Cooperative Knowledge may be attributed to lack of democracy in Cooperatives. How can you educate members about cooperation minus cooperative democracy?

4.6.4. MEMBER IDENTIFICATION

The membership of a Cooperative Society should be available to those who want to use its facilities, who feel that they want to belong to the cooperative group and who decide to takeover the obligations and rights of a member. As W.P. Watkin's Observed: "The members should be known to one another as neighbours or fellow workers, who share a common experience of the services the cooperatives provide for them. This elementary mutual knowledge is essential".⁹³ So members knowledge of one another is essential for the success of a Cooperative Society. But in Primary Credit Societies, the government has introduced the concept of universal membership. The societies had been amalgamated, with scant respect for member's views, in the interest of viability. Since 1984 the government has been providing share capital subsidy Rs.100 for admitting scheduled caste and tribe members into the Primary Agricultural Credit Societies. In this context, the Member-Identification was measured by a scale (appended)

giving scores to the responses of the respondents and on the basis of the scores, it was graded into three degree: Low Medium and High. The Member Identification is presented in Table 4.20.

TABLE NO.4.20
MEMBER IDENTIFICATION

Sl.No.	Degree of Identification	Nmb ^r of Respondents	Percentage
1	High	6	5
2	Medium	24	20
3	Low	90	75
	Total	120	100

It is obvious from the table 4.20 that one of the pre-requisites for the success of Cooperative Institutionsⁿ namely Member Identification is missing. The table reveals that the percentage of members reporting high degree of Identification was as low as 5, while the percentage of members reporting Low degree of Member-Identification was a significant 75. A study,⁹⁴ Cooperative Democracy in action, conducted by O.R. Krishnaswami, surveyed 194 members of the Primary

Agricultural Credit Societies as a part of a broader study. According to this the percentage for High, Medium and Low Member-Identification were 7, 69 and 23 respectively. But the findings of the present study presents a bleak picture in comparison. Hyden described cooperatives without high degree of member-identification, as "bureaucratic and inflexible, organisational cripples".⁹⁵ So government intervention has resulted in creating cooperatives with members who do not even know or care, with whom they are cooperating.

4.6.5. ECONOMIC PARTICIPATION

A Cooperative Organisation exists to provide services to its members with a view to improve their economic condition. So the members of a cooperative are expected to patronise it by participating in its business. As M. Rama Rao observed: "The implication of democracy in business is that members must be active participant in the trading activity of the firm and not just investors, who, wish to derive profit on their capital. The shift from capital to patronage as basis for distribution of surpluses of the cooperative aims at the active involvement of members in business".⁹⁶ At the same time the promotion of the members'

earnings or undertakings should be the only statutory purpose of the Cooperative. In India the Cooperatives are also used to implement government development programmes. Economic participation in the context of Agriculture Credit Societies includes contribution of additional Share Capital, periodically depositing savings in the cooperatives, borrowing from them and using their supply services. On the basis of these measures, a Economic participation scale (appended) was designed and business participation was graded into three categories, Low, Medium and High.

TABLE NO.4.21

ECONOMIC PARTICIPATION

Sl.No.	Degree of Economic Participation	Number of Respondents	Percentage
1	High	18	15
2	Medium	42	35
3	Low	60	50
	Total	120	100

Table No.4.21 reveals the level economic participation of the respondents. In the category of High, 15 per cent of the selected members are placed, while 50 per cent of the respondents are placed in the low category. Medium

Participation was reported from 35 per cent of the members. But, what was disturbing was the fact that not a single member has contributed additional share capital apart from the minimum to be paid for getting loan and the percentage of members who have deposited their savings with the society was equally low (just 18 per cent). But 52 per cent of the members have borrowed and 48 per cent of the members have availed other services. Of the members who borrowed (62) only 6 per cent reported that they were repaying their loans regularly, while 94 per cent reported that they were not repaying their loans regularly. The main reason given was the loan waiver policy of the government. They delay their repayment in the hope that the government may waive the loan some day. So it is evident that Cooperatives are treated as mere lending agencies by the members because they don't feel that they have any stake in the working of the society.

4.6.7. DEMOCRATIC PARTICIPATION

The General Body Meeting is generally regarded as the supreme authority in a cooperative society. The general body elects the board of directors. It adopts annual financial statements, including distribution of net profit, and decides about amendments of the bye-laws.

The point to be emphasised, however, is that members exercise their authority, only in general body meetings. This means, that, members to participate in management must attend meetings. The larger the attendance in the general body meetings, the greater is the opportunity for members to exercise control over the affairs of their cooperative. The attendance performance in the sample primary societies is given below in Table 4.22.

TABLE NO.4.22

ATTENDANCE IN GENERAL MEETING OF PRIMARY CREDIT SOCIETIES

Year	Society A			Society B			Society C			Society D		
	Total Member- ship	Attend- ed	Per- cent- age	Total Member- ship	Attend- ed	Per- cent- age	Total Member- ship	Attend- ed	Per- cent- age	Total Member- ship	Attend- ed	Per- cent- age
1984-85	1780	70	3.9	3256	124	3.8	1392	59	4.2	1769	69	3.9
1985-86	1870	56	2.9	3562	116	3.2	1485	61	4.1	1890	58	3.06
1986-87	1991	58	2.9	3716	124	3.3	1542	61	3.9	1989	62	3.1
1987-88	2065	57	2.7	4028	118	2.9	1707	61	3.5	2101	59	2.8
1988-89	2095	56	2.6	4307	112	2.6	1890	61	3.2	2204	71	3.2
1989-90	2114	58	2.7	4656	136	2.9	1971	62	3.1	2412	72	2.9

Society A - Porayar Primary Cooperative Bank Ltd.,

Society B - Kachanam Farmers' Service Cooperative Society Ltd.

Society C - Agani Primary Cooperative Bank Ltd.

Society D - Pandarvaçai Cooperative Bank Ltd.

Source: Minutes books of the Societies.

From Table No.4.22 we can understand that the attendance in general meetings was very poor. The average percentage of attendance for the period between 1984-1985 and 1989-1990 for Society 'A', Society 'B' Society 'C' and Society 'D' were of the order of 2.95 per cent, 3.10 per cent, 3.60 per cent and 3.16 per cent respectively. But even this figure was obtained by getting signatures of members in the minutes book, who did not attend the meeting, to satisfy the requirements of quorum. But it is a matter of common knowledge that the general body has no real authority. As R.D. Bedi observed: "Thus, although the act does provide that the final authority of a society shall vest in the general body, there is hardly a matter in which it possess a real final authority. The sanctity of its authority has been stepped upon too Often and at too many places".⁹⁷ But, the fact remains that the general body meetings have not been well attended. A survey conducted by O.R.Krishnaswami during 1966-1967 among selected Primary Cooperative Credit Societies reported an average attendance percentage of 14.27.⁹⁸

4.6.7.1. PARTICIPATION OF MEMBER RESPONDENTS IN DEMOCRATIC CONTROL

The members' democratic participation was measured by a scale based on attendance in general meeting, discussions in the managing committee. On the basis of the scores the Democratic participation of members was categorised into three levels: Low, Medium and High. The members' democratic participation is presented in Table 4.23.

TABLE NO.4.23
DEMOCRATIC PARTICIPATION

Sl.No.	Degree of Democratic Participation	Number of members	Percentage
1	High	6	5
2	Medium	15	12.5
3	Low	99	82.5
	Total	120	100

The analysis of member participation has shown that democratic control, in the real sense of the term, is non-existent in the Primary Agricultural Credit Societies. The general practice seems to be that the special officer conducts the meeting with few members and later on the minutes book is circulated among members, who did not attend the meeting,

to get their signature to achieve quorum. In such meetings there was no scope for discussion. The table reveals that 65 per cent of the sample respondents had never attended the general meeting and 30 per cent had attended one or two meetings and only 5 per cent had attended regularly. In the Dr. O.R.Krishnaswami's study only 14 per cent of the ordinary members had never attended any meetings.⁰⁰

The main reason for the low participation was that the members lack a sense of involvement in their Societies. Everything relating to the Society was decided from outside e.g. important policy matters such as rate of interest, period of loan, type of security, purposes of loan etc. The money is provided by the Central financing agency for providing loans. The only power they had of electing their representatives was also resinded with the supersession of the Boards. In these circumstances the member's participation is bound to be low.

4.7. MEMBER'S REACTIONS TO SUPERSESSION, APPOINTMENT OF SPECIAL OFFICER AND OVERDUES

To find out the members' reactions to supersession, Appoint of Special Officer and Overdues, specific questions were asked and their reaction is presented in Table 4.24.

TABLE NO.4.24

REACTIONS OF MEMBERS TO SUPERSESSION, APPOINTMENT OF SPECIAL OFFICERS AND OVERDUES

Sl.No.	Particulars	Number of Respondents	Percentage
1.	Supersession		
	a) Right	14	12
	b) Wrong	106	88
2.	Reasons for supersession		
	a) Political	94	78
	b) To improve efficiency	6	5
	c) Others	20	17
3.	Services under Special Officer		
	a) Good	24	20
	b) Bad	80	67
	c) No. opinion	16	13
4.	Regularity in Repayment of Loan (Borrowing Members 62)		
	a) Regular	4	7
	b) Irregular	58	93
5.	Reasons for non-repayment (Replies from 58 irregular members)		
	a) Government Waiver Policy	10	17
	b) Lack of Democracy	14	24
	c) Waiver Policy and lack of Democracy	30	52
	d) Natural Calamities	4	7

A majority, i.e., 88 per cent of the members felt that the decision to supersede the board was wrong. While 78 per cent of the respondents felt that the reason was political, 5 per cent felt that the reason was to improve the efficiency of cooperatives. The Special Officer did a bad job was the considered opinion of 67 per cent of the respondents, while 20 per cent expressed satisfaction, 13 per cent had no opinion to offer on the services rendered by their respective societies under Special Officer. Overdues, the malady, which afflicted most of the Primary Agricultural Credit Societies, stem from the fact that most of the members were not regular in repaying their loan. Of the 62 members, who borrowed from the society, only 3.3 per cent said they were regular in repaying their loan. The main reasons tendered for non-repayment were Government Loan Waiver Policy and lack of Democratic Control.

The foregoing analysis reveals that the level of knowledge of cooperation was low, member-identification another pre-requisite for success, was very poor and Democratic control was almost non-existent as there was no effective participation and the only participation that has something to say for it is economic participation.

A majority of the members (88 per cent) felt that the decision to supersede was wrong and they also considered the decision to supersede as a politically motivated one. Most of the members were of the view that the special officer was not good. Of the members borrowed 93 per cent were not regular in repaying their loans, acting loan waiver policy and lack of democratic control as the main reasons. So the greatest impact was on the members who, now, consider cooperatives as mere lending agencies. As a result we find Cooperatives in Tamil Nadu with clients rather than members. Here the researcher would like to close the analysis with a word of Hans. H. Munkner who observed: "In State sponsored Cooperation, financial participation of members can be substituted by government loans, personal collaboration of the members in management and control of the affairs of the society can be replaced by the activities of the government officials, voluntary engagement to use the facilities of the cooperative enterprise undertaken by the members in their own best interest can be substituted by the legal obligation to do so. Such so called 'Cooperative' enterprise may even be in a position to operate efficiently without active member-participation. But the purpose of creating self-help organisation to take an active part in the development of the country is defeated."¹⁰⁰

CONCLUSION

The Boards of State Cooperative Bank and Central Cooperative Banks were superseded in 1976 and subsequently the Boards of Primary Agricultural Credit Societies were superseded in 1985. The factors that led to the supersession were:

a) Government Policy; (b) Government Intervention and c) Politicisation. The impact, while studied in the background of government control and government policy towards cooperation, revealed that the cooperatives were reduced to the level of mere agents of the government. The Central and State Cooperative Banks had performed reasonably well as far as economic results were concerned, but performed very badly in respect of serving their members. The impact was felt very much at the level of Primary Agricultural Credit Societies, which have not performed upto expectations. At the level of members, the members were alienated from their societies and they merely used the cooperatives for getting loans, only.

Notes

1. Daman Prakash, Cooperative Democracy Vis-a-vis Member Education, 1988, p.30
2. Hans. H. Munkner, Six Lectures on Cooperative Law, 1977, p.55
3. Hans. H. Munkner, Cooperative Principles and Cooperative Law, 1985, p.49.
4. M.D. Vidwans, Cooperative Law in India, 1969, p.21.
5. GOTN., The Tamil Nadu Cooperative Societies (Appointment of Special Officers) Act, 1976, p.1.
6. GOTN., Policy Note of the Cooperative Department, 1977, p.3.
7. GOTN., Tamil Nadu Cooperative Societies (Appointment of Special Officers') Ordinance, 1989, p.1.
8. Editorial, "Supersession - A Rule or Exception" Cooperative Law Journal, January, 1984, o.67.
9. R.C. Dwivedi, Glimpses of Cooperatives Through Press, Vol.I. 1986, p.137.
10. G. Krishna Murthy, et. al., "Democratic Control of Cooperatives in Andhra Pradesh - A Myth" Indian Cooperative Review, January 1988, p.20.
11. B.S. Visvanathan, "Supersession and Loan Waiver" Cooperator, 1 December 1990, p.201
12. GOI, Report of the Department of Agriculture and Cooperation, 1985-'86, p.140.
13. GOI., Report of the Department of Agriculture and Cooperation, 1987-88, p.151.
14. GOI, Report of the Committee on Cooperative Law, 1987, p.10.
15. NCUI, Proceedings of the 8th Indian Cooperative Congress, 1979, p.34.
16. NCUI, Background Papers - Recent Trends in Cooperative Law, 10th Indian Cooperative Congress, 1985, p.9.
17. Gokhale Institute of Politics and Economics, Writings and Speeches of Gadgil on Cooperation, 1975, p.30.

18. R.C. Dwivedi, Op.cit., p.22.
19. V. Kurien, "The Third Jawaharlal Nehru Memorial Lecturer On Cooperation" *Cooperator*, 15 October, 1986, p.301.
20. NCUI, *Cooperative Movement in India*, 1984, p.1.
20. A. Quoted by Sami Uddin, *Cooperative Sector in India*, 1983, p.38.
21. Ibid., p.38.
22. NCUI, *cooperative Movement in India*, 1984, p.1.
23. S.N. Singh, "Cooperative Democracy" *The Cooperator*, 1 November, 1989, p.4.
24. S.C. Goel and B.B. Goel, *Principles, Problems and Prospects of Cooperative Administration*, 1979, p.53.
25. NCUI, *Background Papers PART-I 11th Indian Cooperative Ccongress*, 1989, p.2.
26. A.D. Puranik, "Analytical Note on the Cooperative Movement in India with reference to Agricultural Sector, " *The Maharashtra Cooperative Quarterly*, July, 1981, p.10.
27. NCUI, *Cooperative Movement in India,,* 1984, p.1.
28. VMNICM, *Proceedings of 3rd National Seminar on Cooperative Law, Administration and Development, (CLAD III)* 1979, p.46.
29. Editorial, *Role of Cooperatives in the 8th Five year Plan, The Maharashtra Cooperative Quarterly*, February 1989, p.495.
30. NCUI, *Background Paper - PART-II, 11th Indian Cooperative Congress*, 1989, p.2.
31. R.C. Dwivedi, Op.cit., p.41.
32. R.V. Nadkarni, "Reflections on the National Cooperative Policy Resolution," *(CLAD-III)*, 1979, p.27
33. Editorial, *Role of Cooperatives in the 8th Five Year Plan, The Maharashtra Cooperative Quarterly*, February, 1989, p.496.

34. Writings and Speeches of Prof. D.R. Gadgil on Cooperation, Op.cit., p.30.
35. S.N. Singh, Op.cit., p.6.
36. P.R. Dubashi, Cooperative Perestorika, **Cooperator**, 15 November 1989, p.279.
37. Ibid., p.27.
38. J.G. Apte, Viability of Primary Agricultural Credit Societies, **Anthology of Cooperative Thought-Vol-I**, 1977, p.214.
39. Ibid., p.214.
40. Ibid., p.214.
41. Keshav Kini, **Cooperative Credit System in Tamil Nadu**, 1982, p.65.
42. Ibid., p.65.
43. Ibid., p.64.
44. NCUI, **Proceedings of 8th Indian Cooperative Congress**, 1979, p.28.
45. R.C. Dwivedi, op.cit., p.22.
46. GOTN., **Policy Note of Cooperative Department**, 1984, p.23.
47. GOTN, **Policy Note of Cooperative Department**, 1989, p.10.
48. Figures taken from the Administrative Report of the working of Cooperative Societies in Tamil Nadu, 1983-84.
49. G. Parthasarathy and M. Mohan Rao, "Democracy, Politicisation and Business Efficiency" **Tamil Nadu Journal of Cooperation**, January and February 1984, p.388.
50. R.B.I., **Report of the Agricultural Credit Review Committee**, 1986, p.182.
51. O.R. Krishaswami, **Cooperative Democracy in Action**", 1976, p.204.
52. Ganesan, "A Note on Tamil Nadu Cooperative Societies Act", **CLAD III**, 1979, p.117.

53. R.B.I., **Report of the Agricultural Credit Review Committee**, 1986, p.182.
54. **The Hindu**, 22, February, 1977, p.10.
55. **The Hindu**, 12 December, 1977, p.4.
56. Notes, Delay in Conducting Elections, **Tamil Nadu Journal of Cooperation**, February, 1986, p.435.
57. GOTN., **Tamil Nadu Ordinance No.3 of 1989**, p.8.
58. GOTN., **Tamil Nadu Ordinance No.4 of 1989**, p.5.
59. GOTN., **Tamil Nadu Ordinance No.4 of 1989**, p.5.
60. Quoted by S.S. Puri, **Ends and Means of Cooperative Development**, 1979, p.114.
61. Data supplied by the Office of the Registrar of Cooperative Societies, Madras.
62. Notes, "Write-off", **The Tamil Nadu Journal of Cooperation**, June, 1980, p.715.
63. Notes, "Write-off", **The Tamil Nadu Journal/Cooperation**, August 1980, p.123.
64. RBI., **Report of the Agricultural Credit Review Committee**, 1986, p.184.
65. Gokhale Institute of Politics and Economics, **Writings and Speeches of Prof. D.R. Gadgil**, 1975, p.30.
66. P.R. Dubashi, "Fundamentals of Cooperative Law and Policy in India," **Cooperative Development and Rural Change**, 1980, p.3.
67. Ibid., p.3.
68. NCUI, **Background Papers-Part-I, 9th Indian Cooperative Congress**, 1982, p.11.
69. GOTN, **Policy Note of the Cooperative Department**, 1977, p.24.
70. RBI, **Report of the Agricultural Credit Review Committee**, 1986, p.166.

71. Satchidanand, "Management of Cooperative Enterprises in the context of Democratic control," **The Tamil Nad Journal of Cooperation**, January - February 1984, p.398.
72. Hans. H. Munkner, **Cooperative Principles and Cooperative Law**, 1985, p.49.
73. TNSCB, **A Short Note on the Working of the Bank**, 1982, p.1.
74. Keshav Kini, *Op.cit.*, p.101.
75. *Ibid.*, p.102.
76. A Review of the Annual Reports of the Tamil Nadu State Cooperative Bank for the period between 1977 and 1990 revealed that the Bank has been increasingly used by the government as its agent. The Bank hardly undertook any major programme in the field of agricultural credit on its own initiative during the period of study.
77. S.S. Puri, *Op.cit.*, p.136.
78. RBI., **Report of the Agricultural credit Review Committee**, 1986, p.169.
79. *Ibid.*, p.170.
80. The Tamil Nadu State Cooperative Bank provides a subsidy of 0.5 per cent subsidy to Central Cooperative Banks on collection of Overdues extending over a period of 3 years.
81. TNCU, **Central Cooperative Banks in Tamil Nadu**, 1991, p.17.
82. TNCU, **Central Cooperative Banks in Tamil Nadu**, 1983, pp.16-17.
83. TNCU, **Central Cooperative Banks in Tamil Nadu**, 1991, p.17.
84. The observations relating to Government Programmes were made on the basis of the publications released by the Tamil Nadu Cooperative Union on Central Cooperative Banks in Tamil Nadu for the years 1982-1983, 1983-1984, 1984-1985.
85. Keshav Kini, *Op.cit.*, p.52.
86. NOTES, **Cooperative Movement Progress and Promises**, **The Tamil Nadu Journal of Cooperation**, May 1990, p.440.

87. G.O.T.N., **Policy Note of the Cooperative Department**, 1988, p.10.
88. In Maharashtra the number of Agricultural Credit **Societies** was on the higher side because Maharashtra along with Gujarat were the only two states which refused to re-organise their Primary Agricultural Credit Societies on the directives of the Central Government.
89. Quoted by P.R. Dubashi, "Cooperative Autonomy" **The Maharashtra Cooperative Quarterly**, october 1987, p.70.
90. AARRO, **Cooperative Legislation for Afro-Asian Countries**, 1966, p.16.
91. W.P. Watkins, "Democracy and Structural Change in Cooperative Movements" **Anthology of Cooperative Thought-Vol.I**, 1975, p.58.
92. O.R. Krishnaswami, Op.cit., p.98.
93. W.P. Watkins, Op.cit., p.57.
94. O.R. Krishnaswami, Op.cit., p.102.
95. Quoted by Hans. H. Munkner, **Coopertive Principles and Cooperative Law**, 1985, p.53.
96. M. Rama Rao, "Democratic Management and Efficiency in Cooperatives" **Cooperator**, 15 June, 1986, p.592.
97. R.D. Bedi, **Law for Cooperatives**, 1982, p.31.
98. O.R. Krishnaswami, Op.cit., p.57.
99. Ibid., p.82.
100. Han. H. Munkner, **Six Lecture s on Cooperative Law**, 1977, p.56.

CHAPTER - V

FINDINGS, CONCLUSIONS AND SUGGESTIONS

This study has been designed to examine the prevailing Cooperative Laws with particular reference to the State of Tamil Nadu and their relevance for Democratic Control, to study how the changes in the Cooperative Laws eroded the powers of the Board, and thereby, paved the way for increased government intervention and to study the causes and effects of supersession of Boards in the Short-Term Agricultural Credit structure. It is now widely recognised that an appropriate legislative frame work is necessary for the development of the Cooperative Movement. At the same time the legal frame work should allow for the free play of the fundamental Cooperative Principles and normal development of the Cooperative Organisations centering around the needs of their members. Further the Cooperatives are being used as an instrument for implementing government programmes and consequent on the increase in the flow of government funds to Cooperatives and the resultant increase in government control and regulation. The increasing tendency to use the Cooperatives for political gains.

5.1. COOPERATIVE LAWS AND DEMOCRATIC CONTROL

The Cooperative Law should not contain any provision which would deny the members their democratic rights to legislate new policies, to review the results of previously adopted policies and make changes in the plan of operation. When provisions, which would contravene or abrogate the democratic character of Cooperatives, were inserted in the Laws, the Cooperatives would be converted into institutions which could be accepted as anything but genuine Cooperatives. Though the Tamil Nadu Cooperative Societies Act, 1983 recognises the supremacy of General Body, still contains several provisions which militate against the supremacy of power in the General Body so conferred. These provisions could be summed up.

5.1.1. REGISTRAR'S POWER TO APPROVE BUDGET

The Primary responsibility of approving the budget of a Cooperative Society has been vested with the General Body (**TNCS Act**, Section 32(2)(1)). But the same Act provides for the approval of the Budget by the Registrar when the General Meeting does not approve the Budget before the commencement of the year to which it pertains.

5.1.2. CALLING GENERAL MEETING

Sections 34(4)(a) and 34(4)(c) confer on the Registrar the power to call a general meeting as also to decide the time and place of meeting and the subjects to be considered there, notwithstanding anything contained in the Bye-laws of the Society.

5.1.3. COMPULSORY AMENDMENT OF BYE-LAWS

The Bye-laws include matters which regulate the domestic affairs of the Society. Section 12(1) provides unfettered powers to the Registrar to amend the Bye-laws of the Society, even against the wishes of the Society concerned.

5.1.4. POWER TO DIRECT AMALGAMATION

Section 14 confers upon the Registrar the power to amalgamate two or more Societies into one. A Cooperative Society is a voluntary association and therefore the formation of a new Cooperative Society by compulsory amalgamation of two or more Societies without the consent of the members of the Societies concerned is a negation of the basic framework of Cooperative Democracy.

5.1.5. COMPULSORY ARBITRATION IN DISPUTES

The Registrar who is already empowered fully with powers of control, supervision, audit and of giving Directives and superseding the Committee of the Cooperative Societies, has also been armed with full Judicial Powers. As per Section 90(1) of the **TNCS Act**, the dispute touching the constitution of the Board or the Management or business of the Registered Society should be referred to the Registrar for his decision. This provision of compulsory arbitration deprives the Society of independent action in matters of dispute.

5.1.6. POWER TO CONTROL LENDING, BORROWING AND INVESTMENT OF FUNDS

Cooperative institutions, being democratic, have to be safeguarded in respect of their business dealings. Such provisions are desirable as long as they do not infringe on the democratic character of the institution. What was found disturbing was the provision that the Societies should obtain the Registrar's approval for lending and investment of funds. Restrictions on loans, Section 66(1) and Restrictions on Investment, Section 68, of the **TNCS Act**, 1983 fall in this category.

5.1.7. POWER TO ISSUE DIRECTIVES

The Registrar who is entrusted to regulate, control and streamline the activities of the Cooperative Societies in the best interest for the balanced all-round growth of the movement in the State has also been authorised to use and exercise his legal power under Section 181 of the TNCS Act, 1983 whereby the Society might be forcefully directed to cooperate. The government has the power to issue Directives to Public Sector organisations which are owned by the government. But, Cooperatives are owned by their members, not withstanding, heavy government aid, and as such the government should not have the power to issue Directives.

5.1.8. UNIVERSAL MEMBERSHIP

The question of admission to membership should be entirely left to a Society. Only those persons should join a Cooperative Society and use its facilities, who feel that they want to "belong" to the Cooperative group and who decide to take over the obligations and rights of a member. A Cooperative Society should be free to decide with whom they want to cooperate and at the same time there should not be any artificial restrictions.

Section 21(2)(i) of the **TNCS** Act which provides for Deemed Membership using this provision, the government has been admitting the weaker sections of the society into the Agricultural Credit Society by providing Share Capital Subsidy. The NABARD provides funds for creating a Risk Fund in respect of lending to weaker sections. There is nothing wrong in admitting weaker sections of the society into a Cooperative Society provided they do it on their own accord.

These provisions were retained in the Cooperative Societies Acts of almost all the States, including Tamil Nadu, despite the demand for their removal by the Central government, the **Indian Cooperative Congresses** (since 1976) and the **Committee on Cooperative Law 1987**. A Cooperative Society is neither a public body nor a creature of statute. A vibrant Cooperative Movement will be a reality only when members are given the responsibility to manage their own affairs.

5.2. EROSION OF POWERS OF THE BOARD

The members elect the Board of Directors to manage the affairs of their Cooperative Society on their behalf. The Board of Directors has full competence

for conducting the business of the Cooperative Society on its own responsibility. There should be no outside control in the decision-making process of the Board. The progressive erosion of powers of the Board began with the modifications of the Cooperative Laws inspired by the **Report of the All India Rural Credit Survey Committee, 1954**. The Committee while recommending State Partnership also limited government's representation in the Boards to 1/3 or 3 whichever be less. A beginning was thus made. The **Conference of Chief Ministers and State Ministers of Cooperation, 1968** which felt that the services of the Cooperatives were being cornered by vested interests had recommended, among other things, reservation of seats on the Board for weaker-sections, restriction on holding office for more than a prescribed period, restriction on holding office simultaneously in more than a specified number of institutions, regulation of loan to Office-bearers and conducting elections by an independent authority. These legislative measures were adopted in several States, including Tamil Nadu, despite recommendations to the contrary by the **Committee on Cooperation, 1965**. With the adoption of the **National Cooperative Policy Resolution, 1977**, which placed much emphasis on building up rather than help the Movement

build, the power of the State government in relation to Cooperatives Societies increased thereby bringing about a consequent decline in the powers of the Board. What were the provisions that eroded the powers of the Board in the **TNCS Act, 1983**?

5.2.1. **THE MANAGEMENT SHALL VEST IN A BOARD**

The conception of vesting the management is significant because what was so vested could not be interfered with by the General Body. The **TNCS Act, 1983** vide section 33(a) vested the management in a Board Constituted in accordance with the provisions of the Act. But such a clause should find place in the Bye-laws and not in the body of the Cooperative Societies Act.

5.2.2. **POWER OF NOMINATION**

Under Sections 32(2), 33(4)(a)(ii), 33(b), 33(4) and 33(8), sweeping powers were given to the Registrars/ State government. The Act prescribed the composition of the Committee, the number of members of the Committee and also the number of members to be nominated by the government. Apart from this, the Act empowered the government to nominate the entire Board if the Bye-laws or Rules so provided, to nominate the entire Board in

respect of certain types of Societies (Sugar Mills, Spinning Mills) for the initial period of five years in public interest and, this was not all, the government to have the power to make additional nomination in respect of Societies where it has contributed to the Share Capital or assisted in any other way. These provisions paved the way for the Government to exercise control over the Apex and Central Cooperatives.

5.2.3. COMPULSORY SEATS FOR WEAKER SECTION

Section 33(1)(a)(b) provided thirty per cent representation to women and eighteen per cent representation to scheduled castes and scheduled tribes on the Managing Committee of a Cooperative Society. This has violated the autonomy of the Cooperative institutions. The objective was to ensure that the economic benefits conferred by the Cooperatives, flowed in a larger measure to the weaker sections of the community. But a similar provision included in the Bye-laws, voluntarily by the members themselves would have been better.

5.2.4. RESTRICTION ON HOLDING OFFICE IN SEVERAL SOCIETIES

Section 34(4)(a) restricted a member from being a member of the Boards of more than five Registered

Societies, but no person shall at the same time, be a member of the Board of more than two Apex Societies or Central Societies. Such a restriction amounts to an infringement on the rights of the members to elect the persons in whom they have confidence. It is not in how many institutions a person is holding office, but how useful or otherwise he is in the management of the Cooperative lies the justification for a person to hold office.

5.2.5. CONDUCT OF ELECTIONS BY THE GOVERNMENT

Rule 51 of the TNCS Rules, 1988 gives wide powers to the Registrar to conduct elections in all types of Cooperative Societies. The Registrar is empowered to appoint election officers, fix the date of election and also decide the programme of elections. The purpose behind the inclusion of such a provision was to ensure the conduct of free and fair elections in Cooperatives. The election of Officers of a Society is purely an internal matter of the Society concerned. If a Cooperative Society is not allowed to conduct its elections it would amount to negation of autonomy.

5.2.6 POWER OF REGISTRAR IN RELATION TO EMPLOYEES OF COOPERATIVES

Section 33(7) provided for appointing Managing Director in Apex, Central and certain other types of

Societies. This provision is not in conformity with the principle of Democratic Control. It is the function of the Board to select a competent manager. Section 73, which has given power to the government to prescribe qualifications and service conditions of employees, is also not in conformity with the principle of Democratic Control. Section 75(1) provided for the creation of Common Cadre of Service in respect of certain Societies violating the power of the board to appoint its own employees. Similarly the Registrar's power to suspend (Section 76(a))/Remove (Section 71(1) Officers/Servants from the Society violates the authority of the Board. This virtually amounts to assumption of management powers by the State in Cooperatives.

5.2.7. POWER OF SUPERSESSION

The Registrar under Section 88, has been empowered to dissolve the elected Board of Management and appoint a government servant to manage the affairs of the Society. It is true that the Registrar could use this power only under specific circumstances and the Committee members are given opportunity to make their representation to the Registrar and the Registrar should

take such an action only after consulting the financing bank and there is also a provision for appeal against such orders. In spite of all these precautions, it could be said that the provision for supersession of the Committee elected by the members by the Registrar is against the principle of Democratic Control. If at all anybody should dismiss the Board it should be the members. Further this provision has often been misused.

5.3 THE CRACKDOWN OF COOPERATIVE DEMOCRACY

5.3.1. The Process:

The legal position of the Committee or Board of a Cooperative Society is that of an agent acting on behalf of the principal members. The board has full competence for conducting the Cooperatives' business. But outside control in the form of government intervention would be in contradiction to the principles of Democratic Control. Supersession of the Board of an individual Cooperative Society has become an accepted practice, the order of the day, even though it is against the Principle of Democratic Control. What has been particularly disturbing is the tendency of the governments to supersede the Boards of a class of Cooperatives through an Act of Legislature.

In Tamil Nadu the **TNCS** (Appointment of Special Officers) Act, 1976 was enacted by the President of India on 1st June 1976. This Act paved the way for supersession of Boards of all Apex, Central and some important Primary Societies, including Tamil Nadu State Cooperative Bank Limited and Central Cooperative Banks. This Act provided for the appointment of Special Officers for a limited period of two years, but since then it has been extended from time to time through a series of amendments. Thus the management of State Cooperative Bank and Central Cooperative Banks has been in the hands of the government officials for a period of 14 years and a month ending on July 1990. Subsequently the Boards of all Primary Agricultural Credit Societies have been superseded on 28.9.1985. And in 1989, the Boards of all other Societies, except staff and students Cooperative Societies and Housing Societies, were superseded. Subsequently elections were held during October, 1990 to Primaries only, to be superseded again in the year 1991.

5.3.2. **The Causes**

Trinity of factors has been identified as the reasons for the present state of affairs: (1) Government Policy; (2) Government interference; and (3) Politicalisation of the Movement.

5.3.2.1. Government Policy

Ever since the planning process was initiated in the 'fifties, Cooperation has been accepted as an important instrument for achieving the objectives of economic planning. The concept of State Partnership in Share Capital was introduced on the recommendation of the **All India Rural Credit Survey Committee, 1954.** Till the end of the **Third Five Year Plan**, the government adopted a policy of effective State aid to the Cooperatives and of deliberate expansion of Cooperative organisations in various branches of economic life of the people. But state aid did not envisage the extension of government hold over the management of Cooperatives. After the submission of the Report of the **All India Rural Credit Review Committee, 1969** and the **Conference of Chief Ministers and State Ministers, 1969** and, later, the adoption of **National Cooperative Policy Resolution, 1977** the policy of the government changed from one of helping to build to build. This is reflected in the role assigned to Cooperatives in the subsequent Five year Plans.

5.3.2.2. Government Intervention

Taking advantage of the dependence of the Cooperative Movement in the State for financial resources, the government used its powers to bend the Cooperatives at their will. The structure of base level Cooperatives of the agricultural credit sector has been changed from Village Credit Societies to Large-sized Societies, and further modified into Service Cooperatives, Farmers' Service Cooperatives entirely at the behest of the government. The Tamil Nadu government took a decision in 1965-1966 to reorganise Agricultural Credit Societies into viable units which resulted in the decline of the number of Primary Agricultural Credit Societies from 11,021 as on 30.6.1962 to 4778 as on 30.6.1975. Further in 1976 the State government converted 12 Agricultural Banks into Farmers' Service Societies. Similarly the government created Lamps for hill tribes in 1976.

Further, the government changed the Cooperative Law bringing in several restrictive provisions such as Compulsory Amendment of Bye-laws (Section 12), Power to Direct Amalgamation (Section 14), Power to call General Meeting (Section 32(3)(a)), Power to Nominate Committee Members (Section 33), Power of Supersession (Section 99) and Power to Issue Directives (181). Using these powers

the government interfered in the internal working of the Cooperatives. The Cooperatives were looked upon as no more than mere tools for fulfilling the government intentions. The government fixed the targets to be achieved by Cooperatives in issue of credit, fertilizers, etc. and the Cooperatives are to achieve it with scant regard for members' interests. -

5.3.2.3. Politicisation

The entry of politicians in the ranks of Cooperative leadership by itself is not undesirable. But Cooperatives should not be used for promoting political interest. In Tamil Nadu the amendment of The TNCS Act, 1961 in 1971, which provided for representations to weaker section and the conferment of power of nomination on the Registrar, paved the way for infiltration of politicians into the Movement. The elections to Primaries held in September 1990 was contested mainly on party basis and before the elections the rival parties entered into a no-holds-barred race for admitting their party members into Cooperatives and even members with overdues were allowed to vote.

Another form of politicisation has been the postponement of elections to Cooperatives. In Tamil Nadu when the boards were first superseded in 1976, the reason given for the delay in conducting elections was to relieve the ills of the Societies which plagued them in the past. Then the government gave the reason for delay as the need for plugging all loopholes in the previous Act and enabling honest and public spirited people to run the Cooperatives. But when the Act was finally enacted, the Rules framed and came into force in April, 1988, the much anticipated elections did not take place. When at last the government on 5th July 1989 ordered the elections to Primary Societies, the elections were postponed twice, the reason being the request for inducting new members from several quarters and to make further amendments in the Law.

Another form of political intervention is the waiver of loan. The Tamil Nadu government announced the waiver of Medium-Term Conversion Loan, interest, and penal interest due on 31.3.1980, pending against small farmers in 1980-1981. The government commitment was Rs.49.64 crores. This was done against the advice of RBI and Central government. The total amount of concessions announced till 1989, (1979-1980 - 1988-1989) amounted

to nearly Rs.125 crores. Then the Central government announced, "The Agricultural and Rural Debt Relief Scheme" on 2.10.90 and the amount of loan waived for the State of Tamil Nadu alone came to about Rs.215.35 crores.

5.3.3. THE IMPACT

The impact on the Short-Term agricultural credit structure, consisting of Tamil Nadu State Apex Cooperative Bank at the apex level, 17 Central Cooperative Banks at the district level and 4554 Primary Agricultural Credit Societies at the Village level (as on 30.6.1990) should be understood in the context of the government's earmarking the field of agricultural and allied activities for Cooperatives and the consequent association of officials with the working of these institutions and the governments' practice of waiving of loans to bring down the mounting overdues. Further the impact should not be judged from the narrower angle of economic efficiency but also from the point of view of their usefulness to their members.

5.3.3.1. Tamil Nadu State Cooperative Bank

The progress of the bank during the period of study was steady. The Total Working Capital of the bank which was only Rs.158.42 crores in 1976-1977 increased to

Rs.789.33 crores in 1989-1990. In the composition of the Working Capital, Share Capital occupied an insignificant place. Its share in total working capital which was 2.91 per cent in 1976-1977 came down to 0.71 per cent in 1989-1990. Eventhough Reserves fared slightly better, its percentage to totalWorking Capital never exceeded 11 per cent during the period of study. Deposits played an important role as is evident from the fact that it accounted for 35.37 per cent of the totalWorking Capital in 1976-1977 and 49.06 per cent in 1989-1990. What was significant was that the contribution of Cooperatives in Deposits was much more than that of others and the contribution of Cooperatives was as high as 77 per cent of the totalDeposits. Borrowings had been one of the important sources of working capital, though its percentage came down to 11.27 per cent of the total Working Capital due to heavy Overdues at the Central Cooperative Bank level in 1980-1981. It averaged 34.54 per cent of the total Working Capitalduring the period of study. While the total loans advanced showed impressive progress, the per centage of agricultural|loans to total loans which was as high as 99.09 per cent in 1976-1978 came down to 12.11 per cent in 1980-1981. Since then there was improvement

but still it occupied only 37.08 per cent of the total loans issued in 1989-1990. The Overdues which touched Rs.22.67 crores in 1979-1980 came down to Rs.2.87 crores in 1989-1990. The Bank has earned profit regularly during the period of study. The Compound Growth Rates (CGR) for Share Capital, Reserves, deposits, Borrowings, Working Capital, Total Loans Advanced and Overdues of the State Cooperative Bank for the period 1976-1977 to 1989-1990 were 1.55 per cent, 14.25 per cent, 11.71 per cent, 12.76 per cent, 11.60 per cent 11.47 per cent and -1.01 per cent respectively. When compared with the performance of the State Cooperative Banks in Kerala and Maharashtra, it is discernible that in the field of Deposit Mobilisation, in raising of Share Capital and Reserves Kerala and Maharashtra have performed far better than Tamil Nadu. In Loan Operations also the performance of these States was better than Tamil Nadu. The weak-link was found mainly in respect of its relationship with its constituent units as there was no organic relationship between the lower and higher tier. There was no commonly shared interest in Deposit Mobilisation as well as Profits and Reserves. Because it was headed by a government official, it was used mostly by the government to implement its policies and programmes rather than as an apex organisation serving the interest of member-Central Cooperative Banks.

5.3.3.2. CENTRAL COOPERATIVE BANKS

The progress of the Central Cooperative Banks in Tamil Nadu showed a mixed picture. The Share Capital, though increased in real terms from Rs.27.78 crores in 1976-1977 to Rs.78.37 crores in 1989-1990, its share in the total working capital declined from 9.79 per cent in 1976-1977 to 4.32 per cent in 1989-1990. While the Total Reserves increased, its percentage in the Total Working Capital ranged between 5.09 (1989-1990) and 8.20 (1980-1981). The performance in respect of Deposit Mobilisation was better and its percentage to total Working Capital hovered around 50 per cent during the period of study. The Borrowing which has been the main-stay of Central Cooperative Banks stood at Rs.129.29 crores in 1976-1977, increased to 168.57 in 1979-1980 and then declined to Rs.73.35 crores in 1980-1981 due to heavy Overdues and finally reached Rs.502.66 crores in 1989-1990. The Total Loans issued by the Central Cooperative Banks showed impressive progress but the percentage of Agricultural loans to total loans which accounted for just 4.2 per cent in 1980-1981 showed increase since then but the percentage and ranged between 7.4, /13.02. The Overdues and the percentage of Overdues to Demand have always remained high. It declined only when the government announced

some concessions. The Total Overdues was Rs.301.73 crores and the percentage to demand was 45 as on 1989-1990. The CGR for Share Capital, Deposits, Borrowings and Overdues were 7 per cent 16.78 per cent 9.62 per cent and 11.32 per cent respectively. A comparison of performance of Central Cooperative Banks (average per Bank) in Tamil Nadu with Kerala, Maharashtra and All India average showed that the average per Bank in respect of Share Capital, Deposits and Working Capital was much better in Kerala and Maharashtra than Tamil Nadu. The Overdues (1987-1988) of Central Cooperative Banks (average) in Tamil Nadu was Rs.7.06 crores while in Kerala it was Rs.5.13 crores and All India Rs.5.82 crores. During the period of study, there was a marked increase in government programmes for agriculture and allied activities implemented through Central Cooperative Banks in Tamil Nadu. As there was no elected Board there was no question of opposition to government programmes implemented through Cooperatives. Except for sanctioning, supervision and collection of loans there was no organic relationship between Primaries and Central Cooperative Banks. The Central Cooperative Banks have been reduced to the level of government agents rather than a federation of Primaries.

5.3.3.3. PRIMARY AGRICULTURAL CREDIT SOCIETIES

The impact of government control and lack of internal democracy was felt much in the Primary Agricultural Credit Societies. The membership of the Primary Agricultural Credit Societies increased from 57.92 lakhs in 1984-1985 to 67.87 lakhs in 1989-1990. This was mainly due to the government programme of bringing all agricultural families under the fold of Cooperatives. The proportion of Share Capital to Total Working Capital which was 9.49 per cent in 1984-1985 came down to 6.72 per cent in 1989-1990. The Total Reserves which formed only 6.52 per cent of the Total Working Capital in 1984-1985, further came down to 4.42 per cent in 1989-1990. Deposits played an insignificant role in the Total Working Capital. Deposits which accounted for 5.85 per cent of the Total Working Capital increased to 13.78 per cent in 1989-1990. Borrowings are the main stay of Primary Agricultural Credit Societies. The percentage of Borrowings to Total Working Capital was above 70 per cent in 1989-1990. The Loans issued by the Societies made a marked progress because government used Cooperatives as their delivery system for the provision of Credit. The total loans issued increased from Rs.195.04 crores in 1984-1985 to

Rs.574.03 crores in 1989-1990. Of the total Short-Term Loans issued, the percentage of agricultural loans declined from 62.36 per cent in 1984-1985 to 43.89 per cent in 1989-1990. The only thing that remained always high was Overdues. The Overdues declined only when the government announced a major concession. The Overdues which was Rs.150.51 crores in 1984-1985 increased to Rs.398.33 crores in 1989-1990. The percentage of Overdues to demand was 55.6 in 1989-1990. The number of profit earning Societies was 1839 and in 1989-1990 it came down to 1723 while the number of loss earning Societies was 2861 in 1989-1990. The total loss incurred by the Societies, which was Rs.50.22 crores in 1984-1985, declined to 48.27 crores in 1985-1986. Thereafter it showed continuous increase. The CGR for Membership, Deposits, Working Capital and S.T. Agriculture Loans and Overdues were 13.25 per cent, 35.00 per cent 15.86 per cent, 16.26 per cent and 17.61 per cent respectively. A comparison of average per Society in Tamil Nadu with Kerala and Maharashtra showed that the performance in these States in respect of Share Capital and Reserves was much better than Tamil Nadu. In deposit mobilisation the per society average for Kerala was Rs.23.75 lakhs while for Tamil Nadu it was only Rs.1.16 lakhs.

In Loans Advanced also Kerala outperformed Tamil Nadu. In 1987-1988 the loans advanced per society was Rs.5.35 lakhs, Rs.4.09 lakhs, Rs.35.61 lakhs and 3.63 lakhs respectively for Tamil Nadu, All India, Kerala and Maharashtra. The Overdues per society in 1987-1988 was Rs.3.82 lakhs for Tamil Nadu while it was only Rs.1.90 lakhs for Maharashtra. The performance reveals that Primary Credit Societies, instead of developing into self-help growth Centres, have been reduced to mere lending agencies perpetually depending on borrowings from outside for their very functioning and perpetual government loan waiver for their survival.

5.3.3.4. IMPACT ON MEMBERS

The greatest impact was on members, who, now consider Cooperatives as mere lending agencies. This is evident from their lack of knowledge of their Cooperative, low member identification and their non-participation in Democratic Control. The General Body Meetings were poorly attended and signatures were obtained to meet the requirements of quorum from members who have not attended the meeting. As a result, we find Cooperatives in Tamil Nadu with clients rather than members. The alienation of members from their Cooperative is alarming and the original purpose of creating it as a self-help organisation to take an active part in the development of the country stands defeated.

SUGGESTIONS

1] The attitude of the government towards the Cooperatives must change. As long as the government decides the type of Cooperatives to be promoted, composition of their membership, their structure, their policies and management, the Cooperatives are bound to fail, because, **building a Cooperative is not just a physical or material process but a human and social one.** For a Cooperative to be successful, there must be need for their services, the members should feel that their needs could be met by the Cooperative and they must participate in capital, business and management of the Cooperative. Without such understanding and participation of members, the Cooperatives cannot be successful. **They cannot be run for the benefit of the members by outsiders.** So the attitude of the government must change from 'to build' to 'help build'.

2] The State government should refrain from the unwholesome practice of resorting to massive supersession of elected Boards in the **Cooperative Credit** structure. The Agricultural Review Committee felt that "in a substantial measure the lack of performance by the Cooperative banking system could be

attributed to this unwholesome practice". In Tamil Nadu, the Tamil Nadu State Cooperative Bank and Central Cooperative Banks had been without elected Boards for the past 14 years (as on 30.6.1990). In Primaries, after their supersession in 1985, elections were held in 1990 only to be superseded again in 1991. This practice is violative of the basic rationale of organising a Credit institution as Cooperative. Elections to Cooperative Should be held forthwith and their management should be handed over to their rightful owners, the members.

3] Governments' intervention and interference in the working of the Cooperatives must cease. One of the important forms of intervention is through changes in the Cooperative Laws. It would be relevant here to stress that when the Legislators enact legislation for Cooperatives, they must have a clear concept of Cooperation and its Principles, so that in their anxiety to improve the Cooperatives they might not make provisions in law that would stifle the initiative of the members and destroy the Cooperative character of the Cooperatives. But, now the immediate need seems to be one of removing the restrictive features in the Cooperative Laws and thereby restoring

democracy, a sine quo non for the Cooperatives.

- 4] Although the TNCS Act 1983 does provide that the final authority of the Society shall vest in the General Body, there is hardly a matter in which the latter possesses real authority. Provisions enabling Registrar's Power to Call General Body Meeting, Registrar's Power to Approve Annual Budget, Compulsory Amendment of Bye-laws, Compulsory Amalgamation, Registrar's Control over Lending, Borrowing and Investment of Funds, Compulsory Arbitration and Deemed Membership severly restrict the powers of the General Body and thereby undermine the Cooperative Character of the Institution. These provisions are undesirable and therefore need to be deleted from the TNCS Act. Even where the professional qualifications of the members are not much to enable the members to carry on Democratic Control, the problem cannot be solved by external control over Cooperatives. In this case the members' capacity for Democratic management should be improved.

- 5] The TNCS Act provides that the management of a Cooperative Society shall vest in the Board constituted in accordance with the Act, Rules and Bye-laws.

Provisions found in the Act which severly restrict the powers of the Board are;the Registrar's power to nominate the Committee members, Registrar's Power of Supersession of Committee, Limitation of Period of Office, Restriction on Holding Office in Several Societies,seats on the Committee for Weaker Section the Government's Power to Appoint its Servants to Manage Cooperatives, Conduct of Elections by the government, Power to Prescribe Qualifications and Service Conditions and Registrar's Power to Suspend or Remove employees. These powers conferred upon the Registrar/Government also amount to take over of the management of the Society by the government. **These undesirable provisions therefore, need to be removed from the TNCS Act.**

6] There is an increasing tendency to use the Cooperatives for promoting the political interests. The decision to supersede the Boards, the perennial postponement of elections and the decision to waive loans in Tamil Nadu were all taken mainly on political grounds rather than on the interest of the Cooperative Movement. The **Agricultural Credit Review Committee, 1986** felt that "unless this is recognised and there is awareness

at the highest levels in government that politicalisation of the Cooperative system is fraught with serious danger to the capability the Cooperatives to function effectively in the long run and survive reasonably in a healthy state, there is clear danger that politicalisation would not only destroy the system but may defeat even the purpose for which it is resorted to" Hence there is urgent need for distancing Cooperatives from politics.

- 7] The Tamil Nadu State Cooperative Bank being the Apex bank of the Short-Term Credit Movement is expected to play a leadership role. The Apex bank has the responsibility to extend support to the lower tiers in respect of Deposit Mobilisation, and share its Reserves and Profits as well as taking active interest in the working of Central Cooperative Banks. But this has not been the case because of the lack of elected management. Democracy must therefore be restored to the Tamil Nadu State Cooperative Bank and the powers of the Registrar especially in the fields of Audit, Supervision, Promotion, etc. should be gradually taken over by the Apex bank. There is also scope for improving mobilisation of share Capital and Deposits.

8] The task of the District Central Cooperative Banks in promoting the activities of the PACS is **closely** connected with the development activities in the area. The absence of democratic management at the helm is reflected in the movements' Overdues. So elections should be conducted at the earliest to restore democracy. **The Central Cooperative Banks are acting more as agents of government than as a federation of its constituent units. This should change and the DCBs should actively involve themselves with the development of PACS by providing them managerial assistance, financial and technical consultancy to develop them as real centres of growth in rural areas.**

9] The lack of democracy has left its indelible impression on the working of the Societies at the base level. To begin with Democracy should be restored and the members should be allowed to have their own men in the management of their Societies. **The changing of structure, area of operation, functions, giving representation to weaker-section, etc. have totally alienated the members from their Cooperatives. There is an urgent need for confidence building exercise.** The members should be trusted and given responsibility for handling their own affairs. The Gujarat Milk

Cooperatives is a case in point where members have demonstrated what they can do when they are given responsibility to manage their own affairs while the government confining itself to a supportive role.

10] Along with the change of attitude of the government, the need of the hour is continuous, persistent and systematic Cooperative education. Although in Tamil Nadu, there is a very good infrastructure for conducting member-education programmes, the programmes have not been successful. This is evident from the fact that the members who attended the programmes were not even able to tell the Principles of Cooperation. The basic change that should be made, is the shifting of the responsibility for the implementation of the Member Education Programmes from the Cooperative Unions to the Societies themselves. The unions can provide support to the Societies to conduct the Education Programmes. Education Programmes should be designed in such a way as to motivate them to involve themselves in the affairs of their Cooperative and to develop in people a sense of equality, fraternity and solidarity and democratic values and outlook.

AREAS FOR FURTHER RESEARCH

1. A comparative study of Cooperative Laws in India with other Asian Countries.
2. Awareness of the members about the working of Cooperative Democracy.
3. Analysis of Policies and Programmes of Central and State Governments relating to Cooperatives.
4. The Administrative set-up of the Cooperative Department and its functions.
5. Decision-Making process in Cooperatives.
6. To study the impact of crackdown of Cooperative Democracy on other types of societies..
7. Politicisation of the movement - to study how far the politicisation has affected the Cooperative Movement.
8. A study of the Cooperative Member-Education Programmes as implemented by the Tamil Nadu Cooperative Union.
9. To explore the possibilities of minimising government control and restoring the Cooperative character of the institutions.

BIBLIOGRAPHY

ACTS, LAWS, CIRCULARS AND OTHER DOCUMENTS

Everest (Pub.). **Maharashtra Cooperative Societies Act**
1960. Bombay, 1989.

GOA (Pub.) **Assam and Meghalaya Cooperative Societies**
Act, 1949.

GOAP(Pub.). **Andhra Pradesh Cooperative Societies Act, 1961.**

GOH (Pub.). **Haryana Cooperative Societies Act, 1984.**

GOI (Pub.). **Report of the Department of the Agriculture**
and Cooperation. New Delhi, 1985-1986.

____. **Model Cooperative Societies Act, 1990.**

____. **Delhi Cooperative Societies Act, 1972.**

____. **The Multi State Cooperative Societies Act, 1984.**

GOKA (Pub.). **Karnataka Cooperative Societies Act, 1959.**

GOK (Pub.). **Kerala Cooperative Societies Act, 1969.**

GOM (Pub.). **Maharashtra Cooperative Societies Act, 1960.**

GOTN (Pub.). **The Madras Cooperative Societies Act, 1961.**

____. **The Tamil Nadu Cooperative Societies Act, 1983.**

____. **Seventh Five Year Plan, Madras, 1985.**

GOUP (Pub.). **Uttar Pradesh Cooperative Societies Act, 1965.**

Mathurubutham, R. & Srinivasan, R. (ed.). **The Madras**
Cooperative Societies Act, 1961. Madras: The Madras
Law Journal Office, 1965

Narayana Pillai, T. (ed.). **The Madras Cooperative Societies**
Act, 1932. Madras: TNCU, 1959.

Radha Krishnan, P.M., (ed.). **A.P. Cooperative Societies Act,**
1964. Hyderabad: Asia Law House, 1990.

Rajagopalan, S. (ed.). **The Madras Cooperative Societies**
Act, 1961. Madras: Madras Book Agency, 1970.

Sinnappa Reddiar, S. (ed.). **The Madras Cooperative Societies Act, (VI of 1932) and Rules.** Madurai: Janata Printers, 1960.

TNCU (Pub.). **Salient Features of the T.N. Cooperative Societies Bill, 1979.** Madras, 1979.

_____. **Circulars of the Registrar of Cooperative Societies on ST Credit.** Madras, 1988.

_____. **Election Procedure Under the New Cooperative Law.** Madras, 1988.

Vaishnav, D.H. (ed.). **Digest on Cooperative Societies Act and Allied Acts, 1960-1986.** Ahmedabad: Parth Law Publications, 1986.

Wani, A.A. (ed.). **Jammu and Kashmir Cooperative Societies Act, 1960.** Jammu: R.K. Anand & Co. 1986.

Reports

- GOI. Report of the Committee on Cooperative Law, 1956.
- ____. Report of the Committee on Cooperative Law, 1987.
(Ardhanareeswaran Committee)
- ____. Report of the Committee on Cooperation 1965.
- GOMAS. Report Regarding the Possibility of Introducing
Land and Agricultural Banks into the Madras Presidency
(2 Vols.), Madras, 1885.
- GOTN. Report of the Committee on Cooperation, 1956
(Narayanaswami Pillai Committee).
- ____. Report of the Committee on Cooperation, 1969
(Santhanam Committee)
- ____. Policy Note of Cooperative Department, 1975-76.
- ____. Administrative Report of the Working of Cooperative
Societies in Tamil Nadu, 1980-1984.
- RBI. Report of the All India Rural Credit Survey Committee,
1954.
- ____. Report of the All India Rural Credit Review Committee,
1969.
- ____. Report of the Committee to Review Arrangements for
Institutional Credit for Agriculture and Rural Development,
1980.
- ____. Report of the Agricultural Credit Review Committee,
1986. (Khusro Committee)

B) NATIONAL COOPERATIVE POLICY RESOLUTION

The Cooperative system is a national need. This finds expression in the National Cooperative Policy Resolution passed recently by the All India Conference of State Cooperation Ministers. Having considered the role of the Cooperative Movement in national planning and development and the need for promoting and preserving the democratic character of the cooperative movement and the business efficiency of cooperative institutions, the conference resolved that:

1. Cooperatives shall be built up as one of the major instruments of decentralised, labour intensive and rural oriented economic development.
2. Cooperatives at all levels shall be closely associated with the process of planning for economic development and social change.
3. The Cooperative Movement shall be developed as a "shield for the weak". Small and marginal farmers and agricultural labours, rural artisans and ordinary consumer belonging to the middle and lower income groups shall be provided the maximum scope to participate in the cooperative programmes and a massive effort will be made for the involvement of millions of our masses in the cooperative movement.
4. Cooperative development shall be promoted on a national basis, and regional imbalances in cooperative development shall be progressively removed.
5. The cooperative movement shall be built up as an autonomous, self-reliant movement, free from undue outside interference and excessive control, as also from politics. The autonomy of the cooperatives shall be based, inter alia, on increasing generation of internal resources, mobilising savings in rural and urban areas, and decreasing dependence on resources from outside financial institutions and Government.
6. A vibrant cooperative democracy shall be built up based on enlightened participation of broad-based membership, free from the domination of vested interests.
7. Cooperative movement shall be cleansed of corruption and malpractices which sully the fair name of cooperation and harm the very principles for which the movement stands.

8. In the rural areas, a strong, viable and integrated cooperative system shall be built up to promote total and comprehensive rural development by progressively strengthening the links between credit, supply of agricultural inputs including ancillary activities like dairy, poultry, fishery and piggery, marketing and distribution of essential consumer articles.

9. A net work of cooperative agro-processing and industrial units shall be built up to provide gainful and economic links between the growers and the consumers.

10. The consumer cooperative movement shall be built up to strengthen the public distribution system and act as a bulwark of consumer protection, and as instrument of price stabilisation.

11. Cooperatives shall be promoted as efficient institutions with streamlined organisation and simple and rationalised procedures.

12. Professional management shall be built up in the cooperative institutions through a sustained programme of recruitment of suitable personnel and their systematic training.

**(c) CONCESSIONS AND LOAN WAIVER ANNOUNCED BY THE GOVERNMENT
OF TAMIL NADU AND GOVERNMENT OF INDIA**

Year	Particulars	No. Benefitted (Lakhs)	Amount of Concession Rs.(Lakhs)
1979-80			
1)	Waiver of Medium-term Conversion Loan Interest (All farmers)	1.91	337.13
2)	Waiver of Short-term Loan Interest	3.04	140.28
3)	Waiver of Panel Interest in FSS, Tudiyalur	--	0.08
4)	Waiver of Long-term Loan Penal Interest	6.26	7.38
1980-81			
1)	Waiver of Principal, Interest and Penal Interest on Medium-term Conversion Loan (Small farmers)	4.52	4963.56
2)	Refund of Medium-term Conversion Loan paid by the Small Farmers during 1.7.1975 to 31.3.80	9.29	2358.77
1981-82			
1)	Waiver of the ordinary interest to be paid by the small farmers after 1.4.1980	--	284.07
2)	Refund of Short-term interest Penal Interest paid by the small farmers from 1.4.80	4.78	1519.85
3)	Waiver of Short-term loan interest and Penal Interest as outstanding on 31.12.1980 and refund of amount already paid	1.18	155.64
1982-83			
1)	Waiver of remaining Medium term conversion loan, interest, Penal interest of small farmers	0.10	126.52
2)	Interest rebate of 2 per cent to small farmers, who paid their dues on time:		
	1981-1982	--	0.95
	1982-1983	--	1.00
	1983-1984	--	5.13
	1984-1985	--	2.73
	1985-1986	--	4.81

1984-85

1) Waiver of interest and Penal interest on Long term loans for those who paid it before 31.3.1985	0.46	294.14
2) Waiver of interest and Penal Interest Waiver on Longterm Loans	0.47	76.95

1986-87

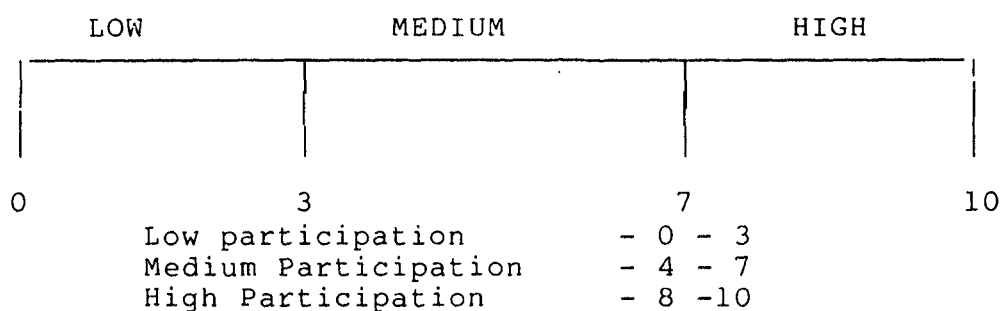
1) Rebate for timely repayment	--	10.12
2) Refund of interest paid during 1.7.1985 - 31.3.1986	--	806.38
3) Waiver of interest during 1.4.1986 - 31.12.1986	--	1500.00

1990

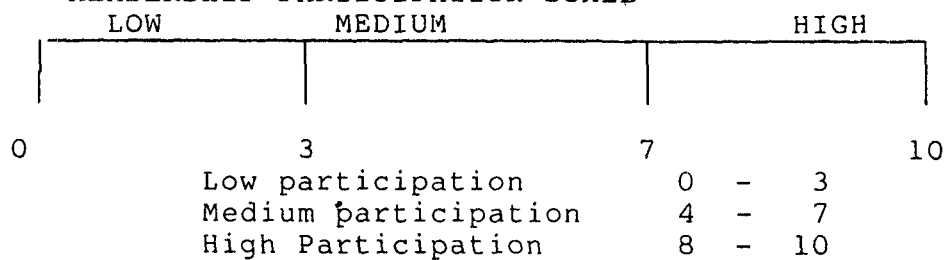
1) "Agricultural and Rural Debt Relief Scheme" - Government of India - 2.10.90 (For Tamilnadu)		--21535.00
---	--	------------

(D) SCORING PROCEDURE**I. ECONOMIC PARTICIPATION**

1. Share Capital (Additional)	No	-	0
	Yes	-	2
2. Deposits	No	-	0
	Yes	-	3
3. Loans	No	-	0
	Occasionally	-	1
	Often	-	2
	Regularly	-	3
4. Other Services	No	-	0
	Yes	-	2

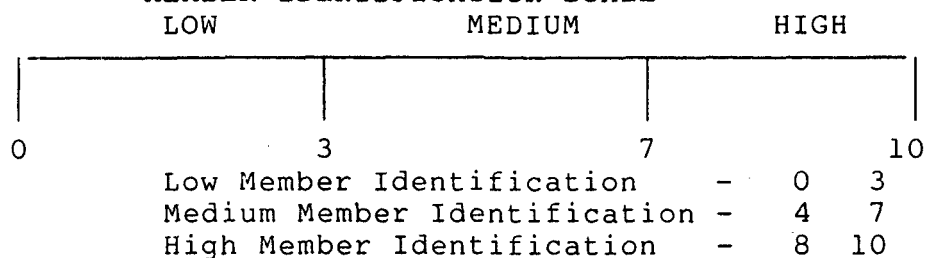
ECONOMIC PARTICIPATION SCALE**II. PARTICIPATION IN MANAGEMENT**

1. Attendance	No	-	0
	Occasional	-	1
	Regular	-	2
2. Discussion	No	-	0
	Occasional	-	1
	Regular	-	2
3. Asking questions	No	-	0
	Yes	-	2
4. Voting	No	-	0
	Yes	-	2
5. Contest	No	-	0
	Yes	-	2

MEMBERSHIP PARTICIPATION SCALE

III. MEMBER IDENTIFICATION

1. Knowledge of Fellow-members	All	-	3
	Majority-		2
	A Few	-	1
2. Meeting of Fellow-Members	Often	-	3
	Occasionally		2
	No	-	0
3. Discussion with Fellow-Members	Yes	-	2
	No	-	0
4. Watching Fellow-Member's Utilisation of Loan	Yes	-	2
	No	-	0

MEMBER-IDENTIFICATION SCALE**IV COOPERATIVE EDUCATION**

1. Knowledge about cooperative principles	No knowledge	..	0
	Partial answers	..	1
	Full answers	..	2
2. Knowledge about objects	No	..	0
	Yes	..	1
3. Newspaper reading	No	..	0
	Occasional	..	1
	Regular	..	2
4. Reading of Journals on cooperation	No	..	0
	Yes	..	2
5. Celebrating cooperative week	No	..	0
	Yes	..	1
6. Attending Cooperative conference	No	..	0
	Yes	..	2

(B) NATIONAL COOPERATIVE POLICY RESOLUTION

The Cooperative system is a national need. This finds expression in the National Cooperative Policy Resolution passed recently by the All India Conference of State Cooperation Ministers. Having considered the role of the Cooperative Movement in national planning and development and the need for promoting and preserving the democratic character of the cooperative movement and the business efficiency of cooperative institutions, the conference resolved that:

1. Cooperatives shall be built up as one of the major instruments of decentralised, labour intensive and rural oriented economic development.
2. Cooperatives at all levels shall be closely associated with the process of planning for economic development and social change.
3. The Cooperative Movement shall be developed as a "shield for the weak". Small and marginal farmers and agricultural labours, rural artisans and ordinary consumer belonging to the middle and lower income groups shall be provided the maximum scope to participate in the cooperative programmes and a massive effort will be made for the involvement of millions of our masses in the cooperative movement.
4. Cooperative development shall be promoted on a national basis, and regional imbalances in cooperative development shall be progressively removed.
5. The cooperative movement shall be built up as an autonomous, self-reliant movement, free from undue outside interference and excessive control, as also from politics. The autonomy of the cooperatives shall be based, inter alia, on increasing generation of internal resources, mobilising savings in rural and urban areas, and decreasing dependence on resources from outside financial institutions and Government.
6. A vibrant cooperative democracy shall be built up based on enlightened participation of broad-based membership, free from the domination of vested interests.
7. Cooperative movement shall be cleansed of corruption and malpractices which sully the fair name of cooperation and harm the very principles for which the movement stands.

8. In the rural areas, a strong, viable and integrated cooperative system shall be built up to promote total and comprehensive rural development by progressively strengthening the links between credit, supply of agricultural inputs including ancillary activities like dairy, poultry, fishery and piggery, marketing and distribution of essential consumer articles.

9. A net work of cooperative agro-processing and industrial units shall be built up to provide gainful and economic links between the growers and the consumers.

10. The consumer cooperative movement shall be built up to strengthen the public distribution system and act as a bulwark of consumer protection, and as instrument of price stabilisation.

11. Cooperatives shall be promoted as efficient institutions with streamlined organisation and simple and rationalised procedures.

12. Professional management shall be built up in the cooperative institutions through a sustained programme of recruitment of suitable personnel and their systematic training.

**(C) CONCESSIONS AND LOAN WAIVER ANNOUNCED BY THE GOVERNMENT
OF TAMIL NADU AND GOVERNMENT OF INDIA**

Year	Particulars	No. Benefitted (Lakhs)	Amount of Concession Rs.(Lakhs)
1979-80			
1)	Waiver of Medium-term Conversion Loan Interest (All farmers)	1.91	337.13
2)	Waiver of Short-term Loan Interest	3.04	140.28
3)	Waiver of Panel Interest in FSS, Tudiyalur	--	0.08
4)	Waiver of Long-term Loan Penal Interest	6.26	7.38
1980-81			
1)	Waiver of Principal, Interest and Penal Interest on Medium-term Conversion Loan (Small farmers)	4.52	4963.56
2)	Refund of Medium-term Conversion Loan paid by the Small Farmers during 1.7.1975 to 31.3.80	9.29	2358.77
1981-82			
1)	Waiver of the ordinary interest to be paid by the small farmers after 1.4.1980	--	284.07
2)	Refund of Short-term interest Penal Interest paid by the small farmers from 1.4.80	4.78	1519.85
3)	Waiver of Short-term loan interest and Penal Interest as outstanding on 31.12.1980 and refund of amount already paid	1.18	155.64
1982-83			
1)	Waiver of remaining Medium term conversion loan, interest, Penal interest of small farmers	0.10	126.52
2)	Interest rebate of 2 per cent to small farmers, who paid their dues on time:		
	1981-1982	--	0.95
	1982-1983	--	1.00
	1983-1984	--	5.13
	1984-1985	--	2.73
	1985-1986	--	4.81

1984-85

1) Waiver of interest and Penal interest on Long term loans for those who paid it before 31.3.1985	0.46	294.14
2) Waiver of interest and Penal Interest Waiver on Longterm Loans	0.47	76.95

1986-87

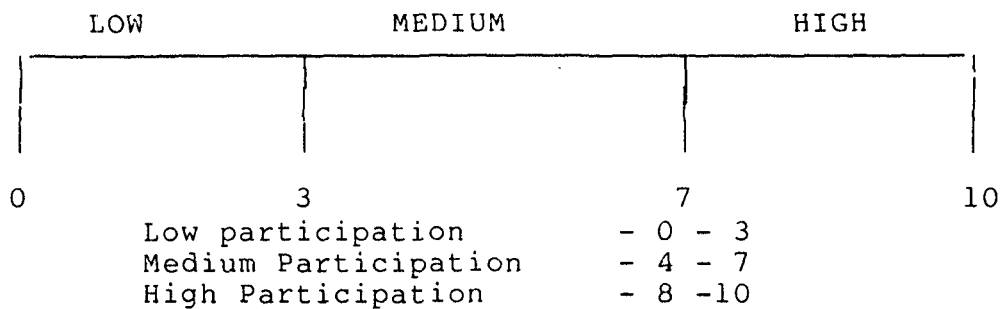
1) Rebate for timely repayment	--	10.12
2) Refund of interest paid during 1.7.1985 - 31.3.1986	--	806.38
3) Waiver of interest during 1.4.1986 - 31.12.1986	--	1500.00

1990

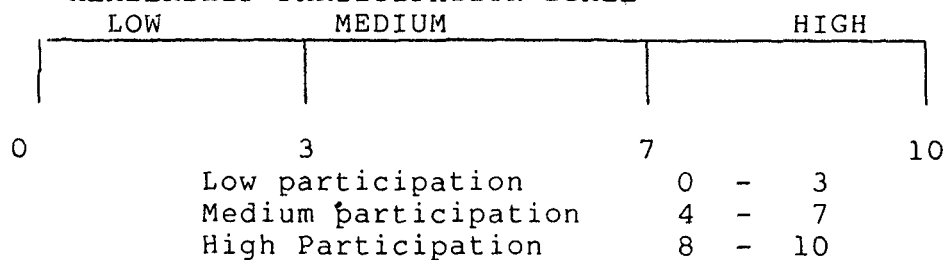
1) "Agricultural and Rural Debt Relief Scheme" - Government of India - 2.10.90 (For Tamilnadu)		-21535.00
---	--	-----------

(D) SCORING PROCEDURE**I. ECONOMIC PARTICIPATION**

1. Share Capital (Additional)	No	-	0
	Yes	-	2
2. Deposits	No	-	0
	Yes	-	3
3. Loans	No	-	0
	Occasionally	-	1
	Often	-	2
	Regularly	-	3
4. Other Services	No	-	0
	Yes	-	2

ECONOMIC PARTICIPATION SCALE**II. PARTICIPATION IN MANAGEMENT**

1. Attendance	No	-	0
	Occasional	-	1
	Regular	-	2
2. Discussion	No	-	0
	Occasional	-	1
	Regular	-	2
3. Asking questions	No	-	0
	Yes	-	2
4. Voting	No	-	0
	Yes	-	2
5. Contest	No	-	0
	Yes	-	2

MEMBERSHIP PARTICIPATION SCALE

III. MEMBER IDENTIFICATION

1. Knowledge of Fellow-members	All	-	3
	Majority	-	2
	A Few	-	1
2. Meeting of Fellow-Members	Often	-	3
	Occasionally	-	2
	No	-	0
3. Discussion with Fellow-Members	Yes	-	2
	No	-	0
4. Watching Fellow-Member's Utilisation of Loan	Yes	-	2
	No	-	0

MEMBER-IDENTIFICATION SCALE

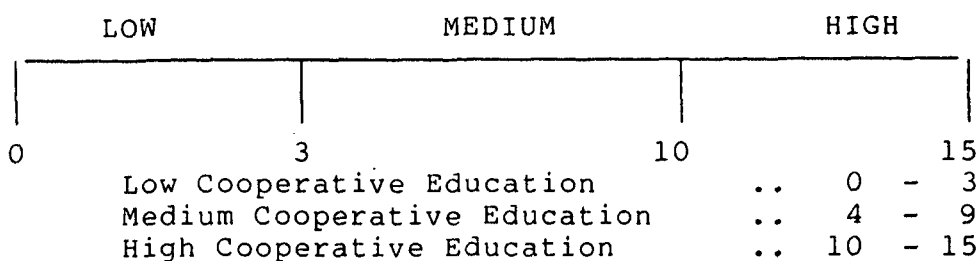
	LOW	MEDIUM	HIGH
	0	3	7
			10
Low Member Identification	-	0	3
Medium Member Identification	-	4	7
High Member Identification	-	8	10

IV COOPERATIVE EDUCATION

1. Knowledge about cooperative principles		
No knowledge	..	0
Partial answers	..	1
Full answers	..	2
2. Knowledge about objects		
No	..	0
Yes	..	1
3. Newspaper reading		
No	..	0
Occasional	..	1
Regular	..	2
4. Reading of Journals on cooperation		
No	..	0
Yes	..	2
5. Celebrating cooperative week		
No	..	0
Yes	..	1
6. Attending Cooperative conference	..	
No	..	0
Yes	..	2

7. Seeing films on Cooperation			
	No	..	0
	Yes	..	1
8. Attending member education programme		..	
	No	..	0
	Yes	..	2
9. Listening to Radio			
	No	..	0
	Occasional	..	1
	Regular	..	2

COOPERATIVE EDUCATION SCALE



V. SOCIAL PARTICIPATION INDEX

Past member	..	1 score
Present member	..	2 scores
Past Officer-bearer	..	2 scores
Present Office-bearer	..	4 scores

Plus

For each weightage period upto 5 years	..	1 score
5 to 10 years	..	2 scores
Above 10 years	..	3 scores

All organisations or association in which a member of the bank had been a member or office-bearer were considered separately.