AgEcon SEARCH
RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search
http://ageconsearch.umn.edu
aesearch@umn.edu

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

PROCEEDINGS OF THE SEVENTH INTERNATIONAL CONFERENCE OF AGRICULTURAL ECONOMISTS

HELD AT

VILLA DELLE AZALEE

STRESA, ITALY

21–27 AUGUST 1949

GEOFFREY CUMBERLEGE

OXFORD UNIVERSITY PRESS

LONDON NEW YORK TORONTO

1950

THE PROGRESS OF CO-OPERATION IN INDIAN AGRICULTURE

SIR MANILAL B. NANAVATI

President, Indian Society of Agricultural Economics

AGRICULTURE, in the words of Yates and Warriner, 'has almost always had a raw deal and its workers a lower standard of well-being than their fellows elsewhere in the community'. Whenever the State has remained indifferent to the needs of agriculture, farming has not been so prosperous as other occupations, and the average farm has been always on the margin of profitableness and weak in its bargaining capacity as compared to other industries. It has, therefore, been in need of help, mostly from governments. This is true even in the advanced West, whereas conditions for farming in the eastern countries like India and China, where agriculture is the main industry supporting the large majority of the population, are really deplorable.

The farmer in India is among the most illiterate, his farming practices are primitive, and his economic position perhaps worse than that of the average earner in any other profession or trade. The last five or six decades have, in fact, witnessed a steady deterioration in the condition of our farmers, as the State took neither positive steps to help them nor protected them adequately against exploitation by vested interests. Until comparatively recently all the interest that the Government took in agriculture was to extract from it, under a fiction of state-ownership of land, most of its revenue. Measures such as the setting up of an Agricultural Department for adopting improvements in agriculture, the introduction of the co-operative movement to meet the credit and non-credit needs of the farmer, enactment of laws for relieving his indebtedness, &c., have been taken only within the last thirty-five or forty years. Very recently, however, the problem of feeding the growing population has compelled the Government to take a keener interest in agricultural development; but except for some additional lands brought under the plough there has been no significant improvement in farm production, which is very low. Compare, for example, the yields per acre of the following crops in the season 1939–40: Rice, 7.0 cwt. in India with 20·2 cwt. in U.S.A. and 32·2 cwt. in Japan; wheat, 6·4 cwt. in India with 7·4 cwt. in U.S.A., 8·4 cwt. in Australia, and 10·4 cwt. in Canada; sugar-cane, 12·6 tons in India with 20·0 tons

in U.S.A. and 54·9 tons in Java; cotton, 90·0 lb. in India with 246·0 lb. in U.S.A. and 515·0 lb. in Egypt.

During the last two years, however, the ministries in the Provinces and the National Government at the centre are turning their attention to the eradication of some of the deep-rooted maladies of our agricultural economy, such as improving landlord–tenant relationship, abolition of feudal interests in agriculture, consolidation of holdings, &c. But, partly owing to lack of vision on the part of the planners and partly to administrative and financial difficulties, progress in this direction is not so rapid as one would expect it to be.

Among the various devices actively propagated to-day for increasing agricultural production, co-operation counts for much. The problem is, how far can co-operation, as the peoples' own movement, come to the rescue of agriculture and confer the maximum strength on the weak farmer? To render even government assistance effective some agency or other has been found necessary; in the U.S.A. with, for example, its Farm Credit Administration, and in England, with its special legislation for small holdings, its Agricultural Mortgage Corporation, and now its 1947 Agriculture Act. In the present stage of economic development in India we have to learn in every sphere of our economy from sister nations abroad.

It still seems to be true that in regard to any kind of evolutionary change in the methods of agriculture farmers are averse and conservative all the world over. For example, even though the advantages of mechanized cultivation have come to be generally accepted, the feeling appears to remain that such mechanization should not be accompanied by the formation of too large farms. Some hold the opinion that instead of very large estates medium-sized peasant farms should be established, as they are expected to lead to more intensive production and higher standard of living. There is also a great scope for developing efficiency in many other directions, such as the use of better seed and manure, improvement of the quality of animals, and the introduction of modern methods of feeding and breeding them. Many States usefully allocate funds for these purposes; they subsidize the purchase of improved seeds and fertilizers, the purchase of quality bulls, &c., but in all these factors the human material is an important element and, as stated earlier, the peasant is slow to pick up new innovations and he has, therefore, to be patiently taught to apply modern methods intelligently.

These are some of the problems facing agriculture in every country. But while western countries have been able to solve their problems of agriculture in various ways (without too much State interven-

tion), the same problems in India have attained larger proportions and their solution, whether sought through co-operation or otherwise, will involve more than ordinary State interference and State control. Again, in countries such as America and England holdings are large and the question of subdivision and fragmentation does not arise. If any problem arises in this connexion it is probably that of ensuring a suitably sized holding for the peasant and his family. In India, on the other hand, the problem is one of preventing further fragmentation and increasing the size of the farms. Owing to the prevailing laws of inheritance and the Indian agriculturist's attachment to ancestral property in whatever tiny bit he may get it, holdings have been subjected to a process of continuous subdivision into such small fragments that economic cultivation has become impossible. Consolidation has been effected to some extent through co-operation, but whether voluntary co-operation alone can effect a sufficiently rapid cure, and whether State interference through promulgation of laws and otherwise is not also necessary, is a question discussed by governments and co-operative committees and conferences. Again, even with consolidation, individual farms in India are too small to lend themselves to modern methods of mechanized and improved agriculture. Pooling of lands for joint cultivation is not only advantageous but, under the pressure of larger production, quite necessary.

The Co-operative Planning Committee appointed by the Government of India in 1945 studied in detail various issues connected with agricultural problems, including consolidation and fragmentation of holdings. Various provinces, it noticed, had passed consolidation of holdings acts such as the Central Provinces Consolidation of Holdings Act, 1928, the Punjab Consolidation of Holdings Act, 1936, and the United Provinces Consolidation of Holdings Act, 1939. To take a few examples of the work done by the consolidation of holdings societies, there were in the Punjab in 1946 2,003 societies employed in the work. They had a membership of 257,913, and the total area consolidated by them up to July 21, 1946 was 1,543,342 acres. In the United Provinces there were 291 such societies in 1944–5, and the area consolidated by them during the year amounted to 6,907 acres, which reduced the number of plots from 5,461 to 904. In the Central Provinces and Berar, where consolidation through the Revenue Department is provided for, the holdings of nearly a lakh of permanent holders covering an area of about 1,133,000 acres split up into 2,433,000 plots have been consolidated into 361,000 compact plots. Therefore, in view of this degree of success attained by the

co-operative movement in consolidating holdings, co-operative societies should be encouraged to take up the work. The committee, however, felt that for a permanent solution of the problem of increasing agricultural production some form of large-scale cultivation was necessary. They went into the question of the four types of large-scale farming, namely, collective farming (Russia), State farming (Russia), corporation farming (America), and co-operative farming (Bulgaria, Italy, and Palestine), and concluded that co-operative farming, being the most suitable to India, should be tried.

The Fourteenth Registrars' Conference in India (1944) also considered the question and recommended that the system of co-operative joint farming should be introduced wherever circumstances are favourable. The consensus of opinion in India is in favour of the view that co-operative farming presents less difficulties than any other method of farming as it would increase the size of holdings for purposes of cultivation without depriving cultivators of their right to ownership of land. On the subject of State aid in this connexion, the Co-operative Planning Committee have stated that as it would take some time before the benefits of co-operative farming were realized, the State should organize a few model co-operative joint farming societies, two in each suitable district, to popularize the idea so that the peasants may volunteer to organize their own societies all over the country in due course, as the benefits of large-scale farming gradually percolate through the peasant community. The expenditure on the entire establishment of the co-operative joint farming societies should be met by the State for the first few years. It may be added in this connexion that latterly attempts have been made in India to introduce collective and co-operative farming. For example, there are working at present twenty co-operative and collective farming societies in Bombay and nine in the United Provinces. The future of collective farming depends upon the progress of these ventures.

I have endeavoured to show above how farming in India presents problems radically different from those facing European countries, where the question of uneconomic holdings seems to have been tackled with some success. The question of finance does not appear to have been a major obstacle to them in the development of agriculture, and consequently the importance of the co-operative movement *vis-à-vis* farming has not been so great in those countries as it is in India to-day. Cultivation in India is predominantly a pursuit of uneconomic holders; they are illiterate and poor; they have no wherewithal to improve their cultivation in any manner; and

agriculture, not being 'credit-worthy', efforts made by the Government to help directly by way of relief measures, such as granting of loans, do not seem to have met with much success. In regard to marketing of agricultural produce, also, the State has had to interfere to enforce the policy of controls and procurement. The problem can be successfully solved by co-operation alone, but under conditions existing at present in India Government help is indispensable. Help naturally implies some kind of control, and as the Co-operative Planning Committee has envisaged that the Government will have to spend crores of rupees in the cause of co-operation, the question of government control on the movement cannot be set aside. This takes us now to the crux of the problem under discussion, viz. whether the growing power and intervention of the State in economic affairs calls for a re-emphasis of the co-operative principles of voluntary democracy.

With regard to this question of compulsion in relation to co-operation, which is essentially a democratic movement based on the voluntary principle, our experience in India seems to suggest that in some cases compulsion is necessary. For instance, in the case of consolidation of holdings, if in a village the majority of the inhabitants are willing to join a society for the exchange of lands but a recalcitrant minority, owing to some faction or family rivalries or any other reason, do not, the whole scheme would have to be set aside. Or in the case of a cane-marketing society: suppose in a particular village there are about 100 growers and out of these about 70 are willing to supply their cane through the cane society only; but the remaining 30, if they are comparatively bigger cultivators, may refuse to do so, begin to compete with the society, and ultimately cause its failure. Similarly, one can imagine how an irrigation scheme to be initiated in a village to supply water to all the lands there requires the co-operation of all the agriculturists through whose fields the irrigation canal will pass. If a few farmers refuse to join with the majority in such an endeavour the whole scheme will have to be abandoned, to the detriment of all. These are only a few instances where one can see the necessity for introducing compulsion, especially as the need for it is due to illiteracy and lack of proper understanding. An element of compulsion alone can in such cases carry out desirable reforms and changes.

I ask you to note that this plea for some measure of compulsion is based on our limited experience of co-operation and, therefore, it may be accepted with some reservation. For one thing, it may not be quite accurate to speak of the co-operative movement in India as

purely voluntary. It was State-introduced, and the initiative and the guidance still rest very largely with the Government. As a movement originating from the people themselves and entirely controlled and maintained by them it has never existed in India. But owing to illiteracy and conservatism of the people the initiative has had to come from the Government, and thus the movement lacks that innate strength and vitality which it has in the more advanced countries. Apart from general illiteracy and conservatism, co-operative knowledge and co-operative spirit are very much absent in India and there have been few disinterested public workers commanding local confidence and influence. The movement has been and still continues to be a creation of the Government, whose assistance has been all-embracing. In general terms it may be said that State aid has taken the shape of moral, financial, and legislative aid on the usual lines, i.e. legal status, statutory facilities and reliefs in some directions, e.g. taxes, rationed supplies, paying of expert officials, and other financial aid in various forms; but though State-sponsored and State-guided, there has been a very large amount of autonomy in it and, except under very grave circumstances, there has been very little of direct government interference in the management of the institutions.

What has this voluntary co-operation achieved in the forty-five years of its existence in India? Starting with the passing of the first Co-operative Credit Societies Act in 1904, which provided for only credit co-operatives and later, with its scope widened under the second Act of 1912, providing for the organization of central banks, provincial banks, and non-credit co-operative activities, the movement has, as the table opposite will disclose, proceeded at snail's pace all through compared to the vastness of the size and population of India and their credit and other economic needs.

It may be gathered from the table that though the early start was somewhat promising, with the coming of the depression in 1929 till the outbreak of the Second World War the progress of the movement was anything but encouraging. During the War, however, there was a spurt, as reflected in the increase in the number of societies, membership, and working capital. The number of societies rose from 122,000 in 1938–9 to 172,000 in 1945–6 (the latest year for which authoritative figures are available); membership from 5·37 million to 9·16 million; and working capital from Rs. 1,064·7 million to nearly Rs. 1,640·0 million. But even these sudden and welcome increases leave India but poorly served by the co-operative movement. In 1946 we had only one society for about four villages and 2,150 of population. As regards the actual percentage of people

Progress of Indian Co-operative Credit Societies

Period	*No. of societies*	*Increase over previous decade*	*No. of members*	*Increase over previous decade*	*Working capital*	*Increase over previous decade*
	thousand		*million*		*Rs. million*	
1906–7 to 1909–10	2	..	·16	..	6·8	..
1910–11 to 1914–15	12	10	·55	·39	54·8	48·0
1915–16 to 1919–20	28	16	1·13	·58	151·8	97·0
1920–1 to 1924–5	58	30	2·15	1·02	363·6	211·8
1925–6 to 1929–30	94	36	3·69	1·54	748·9	385·3
1930–1 to 1934–5	106	12	4·32	·63	946·1	197·2
1935–6 to 1939–40	117	11	5·08	·76	1,046·8	100·7
1940–1 to 1944–5	150	33	7·22	2·14	1,243·5	196·7
1938–9	122	..	5·37	..	1,064·7	..
1939–40	137	..	6·08	..	1,071·0	..
1940–1	143	..	6·40	..	1,093·2	..
1941–2	145	..	6·74	..	1,124·2	..
1942–3	146	..	6·91	..	1,211·4	..
1943–4	156	..	7·69	..	1,322·1	..
1944–5	160	..	8·36	..	1,466·3	..
1945–6	172	..	9·16	..	1,640·0	..

that came into the co-operative fold, it was just 10·6. The Rs. 1640·0 million mean only Rs. 179·0 of working capital per member and Rs. 4·4 per head of population. India cannot afford to remain so backward in co-operation; if the pace of the movement is to be quickened, it can be done only with much larger government initiative and government control.

These facts support the view that the development of the movement on voluntary lines is likely to be very slow. To hasten the pace the State is invited to intervene actively, which means that the voluntary principle in co-operation has to undergo considerable modification.

The disappointing results of the co-operative movement are largely due to the activities being mostly confined to credit. In 1940–1 as many as 84 per cent. of the agricultural societies in India were credit societies. Mere provision of credit could serve but a very limited purpose for the agriculturists, a vast majority of whom are small tenants and uneconomic holders and, therefore, 'uncreditworthy'. This explains not only the slow pace of the movement but also the large number of cases of mismanagement, fraud, and liquidation, particularly in times of crop failures and falling prices. In other words, until efforts are made to remedy the maladjustments in the agrarian structure, there is no conclusive evidence of prospect of

success or failure of the co-operative movement in India. It is therefore pertinent for us to reorientate our policy. To give the movement a full trial we must offer the small farmer help to overcome his handicaps and provide him with opportunities to strengthen his position through self-help and co-operation. This, however, presupposes a detailed study of rural economy and sociology. This is, again, a field which we have entirely ignored. Such studies would help us to devise ways and means for eliminating misuse or waste of the farmer's resources, and also for protecting him against exploitation by the vested interests in the villages. Only when this is done will the small farmers feel sufficiently inspired to come under the banner of co-operation. Uneconomic cultivation by tenants and small-holders being the basic affliction of Indian agriculture, only a comprehensive land reform policy can set right the maladjustments in the agricultural economy. It is therefore desirable for the co-operative departments in our Provinces to have a section, working on the lines of the American Extension Service, attending to the problems of families on the marginal and sub-marginal farms. Moreover, concentrated efforts appear necessary to organize multi-purpose co-operative societies, as they are the best agencies for small farmers to reduce farm costs and to increase farm incomes. Except in U.P. and, to some extent, in Bombay, multi-purpose societies have made little headway in India.

On the basis of the experience gained with regard to voluntary co-operation, some of the Provincial Governments have included a 'compulsion' clause in their Co-operative Societies Acts. For instance, in Bombay, when the question of crop protection came up for consideration in the early twenties of this century, the Government appointed a committee to propose measures to deal with the question. The committee recommended fencing as the best method and, except in the case of very valuable crops, it felt that the fencing must embrace a fairly large area in order to reduce the cost per acre. Where all the cultivators were not willing to co-operate to carry out such work the Committee recommended that legislation should be undertaken to provide that if the majority of the owners were ready to bear their share of cost and of maintenance, and if the Government were satisfied with the utility of the project, the remaining landowners should be compelled to contribute. The Co-operative Societies Act was therefore amended in 1936 to provide for the registration of such societies (crop protection societies) if not less than 66 per cent. of the owners, owning in aggregate not less than 75 per cent. of the land, gave their consent to the scheme. It then became obligatory on the minority to bear a proportion of the cost, and procedure was laid down for the

recovery of this amount. In the amendment to the Bombay Co-operative Societies Act passed in 1948 this clause (cl. 64 G) was extended to the better farming societies also. The scope of this provision was made to include under 'better farming societies', joint farming societies, co-operative farming societies, and crop protection societies.

In Assam, similarly, the new Co-operative Societies Act, the object of which is to develop co-operative or collective farming, restricts the right of members of such societies to transfer possession of land held under the society. A member can transfer his possession or interest in any land held by him only to the society or, with the previous approval of the managing body and in accordance with its by-laws, to a member thereof or to a person who is to be admitted as a member of the society.

A few other examples of compulsion in co-operation in India may also be given. The most notable example of this is to be seen in the working of the cane-growers' co-operatives in Bihar. The Bihar Sugar Factories Control Act, 1937 has been amended to introduce an element of compulsion among these societies. If two-thirds of the growers of a village agree to become members of a society, the remaining growers also are compelled to fall in line. Thus the societies become the sole suppliers of sugar-cane in those places where two-thirds of the growers agree. It is estimated that about 700 cane-growers' societies have benefited by the legislation.

In the Punjab, a co-operative village forest society for the preservation and scientific exploitation of village forests can be organized when 75 per cent. of the right-holders in a village, paying two-thirds of the total land revenue, agree to join it. On July 31, 1944, thirty such societies were functioning in the Kangra District. In the case of co-operative societies for reclamation and improvement of *chos* and waste land, the Government could enforce certain sections of the India Forest Act for closure of the land to grazing, &c., if only 35 per cent. of the total right-holders or owners of two-thirds of the land in the area concerned agreed to closure.

From the foregoing it is evident that there has been a growing tendency to introduce compulsion, at least in societies which undertake common measures such as consolidation of holdings, joint cultivation, land reclamation, &c. Indeed, in recent years, with the realization of the increasing importance of co-operation as the best available agency for carrying out such purposes, the question of compulsion has come to the forefront. There is a growing desire on the part of a section of informed public opinion in India for a greater intervention by the State in the field of co-operation and

agriculture, as they consider this a necessary pre-requisite for any successful planning of increased production or amelioration of the conditions of the rural population in as short a time as possible. Some veteran co-operators, however, feel that the intervention of the State in the sphere of co-operation would be incompatible with its voluntary principles or the autonomy of its organization.

Examining this question of co-operation *vis-à-vis* planning, the Co-operative Planning Committee has observed as follows:

'Co-operators have insisted that co-operation should be based on the voluntary principle. It is further argued that planning in co-operation would mean a departure from this principle inasmuch as some form of compulsion is inherent in planning, and that if co-operation is to find a place in a planned economy the voluntary principle must undergo modifications.'

After examining the resolutions of the Registrars' Conferences, it came to the conclusion that although the voluntary principle governing admission to the membership of a co-operative society should be respected, compulsion may become inevitable in certain kinds of co-operative activities like consolidation of holdings, crop protection, or irrigation, in order to achieve an object essential for economic progress. The committee therefore recommended that in the larger interests of the country, resolutions passed by the members of a co-operative society who form two-thirds of the community affected should be made binding by law on non-members also. It also recommended the amendment of the Co-operative Societies Act so as to provide for setting up a responsible agency for determining whether or not a particular scheme is essential. At the same time the committee expressed the hope that with a new outlook responsible nation-building departments of the Government will be able by means of education, propaganda, persuasion, and demonstration to bring about the organization of co-operative activities along planned lines without resort to compulsion.

I will now refer to the deliberations on this question at the All-India Registrars' Conference held in recent years, as at these Conferences both official and non-official co-operators take part, and their decisions may be taken as showing the trend in co-operative thought all over India. The problem came up for discussion in the 1939 session, and the Conference recommended that 'persons should not be compelled to join a co-operative society; nor should the decision of such society be binding on non-members except in cases involving the provision of some utility service which at least a two-thirds majority of those concerned desire'. At the next Conference of the

Registrars held in 1944 the view was taken that where the execution of a plan required action by all members of an economic group or category, it should be made compulsory for all either to join or otherwise to carry out the plan. At the Fifteenth Registrars' Conference held in 1947, the recommendations of the Co-operative Planning Committee were fully examined and the following resolution was finally accepted on this subject, viz. that planning in co-operation does not mean a departure from the voluntary principle governing the membership of a co-operative society, that the principle should be respected and no one should be compelled to join a society, and that responsible nation-building departments of the Government will be able in many cases, by means of education, propaganda, persuasion, demonstration, and denial of privileges to non-members, to bring about the organization of co-operative activities voluntarily along planned lines. The Conference further recommended that where there is need for the provision of a common essential economic service or where the larger interests of the community require it, a resolution passed by a co-operative society should be made binding by law on non-members, provided that a substantial majority of the economic category or group affected accept it.

It will be interesting to find what the next Registrars' Conference will have to say on the subject. Economic and political conditions have been changing rapidly in recent years consequent on the most destructive war the world has ever known. Several countries have been brought to the verge of economic ruin, and it has become imperative that far from sticking to the principle of individual liberty of action all governments have had to interfere in every sphere of economic activity. Planning and control by the State have become the accepted economic theory of the present day even in countries like England, where the spirit of individualism is deep-seated. There has been a great deal of State interference in all sectors of her economy, particularly during and after the Second World War. In the field of agriculture, this is seen in the passing of the Agriculture Act in 1947, which gives overall control in agriculture to the State, including powers regarding the growing of crops. In India, also, one province is contemplating legislation on similar lines. The welfare of mankind has become more the concern of the State than the welfare of any one individual and, indeed, the world has wandered far from the strict and unalloyed individualism of Locke and Bentham towards collectivism and socialism, which necessarily involve greater and greater State interference and control in every walk of life.