

Origin, Development Trends of Growth of Cooperative in Odisha

S N Tripathy*

Abstract

The present paper with the help of secondary sources of data attempts to capture the major events that shaped the course of cooperative movements in Odisha. The paper portrays the prevailing socio-economic factors and key events which contributed to the development of cooperatives in different phases and its genesis and growth trend in Odisha in the national perspectives.

Key words : *Cooperatives Movements, Rural credit, Money lenders, Farmers.*

Introduction :

Orissa was occupied by the British, piece by piece; the Southern parts of Orissa in 1765, the Coastal region in 1803 and the Western part by 1849. The princely states were left to suffer their own indigenous systems, while the Coastal districts which linked the Company's territories in Bengal and Madras were paid the minimum administrative attention. This negligent attitude and severe apathy demonstrated itself in a catastrophe resulting in a severe famine in 1866 known as 'Naonka Durvikshya' occurred and took away one-third of her entire population and in Orissa, approximately 4 to 5 million died during the two-year period (Northcok).

Among the several causes creating this catastrophe, the most important factor was the isolation of Orissa from other parts due to lack of communication facilities. The British economic policies, like the exploitative land revenue administration, had adversely affected the cultivation in general and had thrown the peasants into a state of perpetual delusion. The land alienation, indebtedness, lack of irrigation and callous attitude of the colonial Government and exploitation of peasants were the marked features of *British* administration in Orissa (Tripathy, (2000) *Contractual Labour in Agricultural Sector, P.19*)

The death of a family member, loss of property and livestock, illness, and natural disasters each pose unique hazards. Dependence on usurious moneylenders and the operation of a deeply exploitative network of interlocked, imperfect markets afflicts the rural poor. Usurious money lending practices are very well documented in many official reports from the colonial period.

*Former Professor of Economics, Gokhale Institute of Politics and Economics, Pune, currently at 4th Vijoy Bihar, Berhampur, Ganjam, Odisha -760 004

Perhaps the most important is the Central Banking Enquiry Committee (CBEC) Report (1929) and the Madras Provincial Banking Enquiry Committee (MPBEC) report has been considered as a standard. It explains how the mechanisms of debt typically had a cumulative force:

"Frequently the debt is not repaid in full, and a part of the loan persists and becomes a pro-note debt. In the course of time, it may with a lucky year be paid off or it may become a mortgage debt. By the existence of this heavy persisting debt, the creditor takes the bulk of the produce and leaves the farmer unable to repay short-term loans. Likewise, the short-term loan has produced long-term debt and there is a vicious circle. The farmer cannot clear his short-term debt because of the mortgage creditor, and he cannot cultivate without borrowing because his crop goes largely to the long-term creditor. If he pays his long-term creditor his current debts swell and overwhelm him (MPBEC Report, Government of Madras, 1930, Vol I, P 77).

Objectives and methodology

In the above context, the objectives of the paper are:

- i) To present the genesis and development of cooperatives in Odisha.
- ii) To unfold and present the historical background and trend of growth of cooperatives in Odisha in the macro perspectives.

Secondary sources of data collected from published sources have been used in this paper.

Odisha in the post-famine period of 1866

The genesis of cooperative movement owes its origin to the post-famine period of 1866 Odisha. There was intense indebtedness of the peasantry class due to imposition of exorbitant rates of interest by the village Mahajan / Sahukars, resulting in siphoning of land to the control of the money lending classes. As an alternative to the traditional paradigm of financing through informal sources, a credit cooperative approach was developed with the cardinal principle of an intrinsic value manifested among the village communities in Odisha. They were mutually creating permanent assets like village tanks or village forests even in collecting small contributions in cash at regular intervals to lend to members of the group viz., Chit Funds, in the erstwhile Madras Presidency.

The deplorable agricultural conditions and the absence of institutional arrangements to provide finance to agriculturists during the latter part of the nineteenth century led to mounting distress and discontent. Both the Famine Commission of 1880 and after two decades, the Famine Commission 1901

highlighted the deep indebtedness of the Indian farmer, resulting in many cases in the land of the farmer passing into the possession of the money lending classes. The Deccan Riots and then prevailing environment of discontent resulted in the government taking various initiatives, but the legislative measures did not substantially improve the situation of the farmers.

Genesis of co-operative movement in Odisha

In the national context, the proposal for agricultural banks was first presented in 1858 and again in 1881 by Mr. William Wedderburn the District Judge of Ahmednagar, in consultation with Justice M.G. Ranade, but was not accepted. In March 1892, Mr. Frederick Nicholson was placed by the Governor of Madras Presidency to enquire about the possibility of introducing in this Presidency, a system of agricultural or other land banks and submitted his report in two volumes in 1895 and 1897.

Regarding co-operative movement, Odisha has been one of the pioneering States in the country. The first Co-operative Society, namely, Cuttack Cooperative Store was established in the year 1898 under the leadership of Utkal Gourab Madhusudan Das which heralded the commencement of Co-operative movement in Odisha. The Cooperative Societies can be defined as a democratically controlled enterprise managed by an autonomous association of persons voluntarily united to meet their common economic, social, and cultural requirements. It is an organization of group of people who are collectively owned and keenly interested in the development of poor farmers.

In 1901 the Famine Commission recommended the establishment of Rural Agricultural Banks through the establishment of Mutual Credit Associations, and such steps as were taken by the Government of North Western provinces and Oudh. The underlying idea was the voluntary creation of a new and valuable security through several persons combining together managing the affairs of the bank. A strong association competent to offer guarantees and advantages of lending to groups instead of individuals; were the key advantages.

The Cooperative Societies Bill in 1904

The establishment of the Cuttack Cooperative Store in 1889 under the Stewardship of Utkal Gourav Madhu Sudan Das marked the dawn of cooperative movement in Odisha. The plight and anguish of rural farmers were reflected in the reports of the Famine Commission in 1901. On the recommendations of the Commission, the Cooperative Societies Bill in 1904 took its birth; considered as a milestone in the history of cooperative movements. It is a well-known fact that during colonial rule and for a considerable period after independence, the money lenders had remained the dominant source of rural credit in Orissa.

To save the poor cultivators from the exploitation of the moneylenders, experiments with Cooperative Credit institutions began in the state in 1903 with the establishment of five Cooperative Societies at five different places viz. Banki in Cuttack district and one each at Nimapara, Balugaon, Tarabari and Bolgarh all in Puri district. Hence, viewed from emergence of cooperative movement in Odisha, Banki in Cuttack laid the foundation for a robust cooperative movement in the state.

By the Cooperative Credit Societies Act, 1904 several Co-operative Societies were established in North Orissa. But prior to the enactment of the Act, has been mentioned earlier three Co-operative Societies had been established at Charchika, Suvarnapur and Barput in Banki-Dampara area of Banki sub-division in 1903 by the pioneering and collective effort of Rai Bahadur Bidyadhar Panda, Balamukunda Kanungo and Yegosh Rout. With the increase in the number of Cooperative Societies to the extent of 50, the need was felt for an agency, which could supervise, control, and finance them. This resulted in the birth of Bank Dampara Union of Cooperative Credit Societies Ltd. formed on 26th March, 1910 which was the Second Co-operative Union or Bank in the entire Bihar and Orissa Province. It was the first Central Coordinating Agency (CCA) in the state subsequently renamed as Banki-Dampara Central Cooperative Union. In 1919 co-operation became a provincial subject and this gave scope to the provinces to enact for co-operative.

After a couple of years, the Khurda Central Bank was established as a controlling and supervising agency. Subsequently, three Credit Co-operative Societies were organized in Banki in the year 1903 which later merged with Banki Central Co-operative Bank in the year 1910 (Senapati, 2012, P. 51).

The Cooperative Societies Act of 1912

With the enactment of the Cooperative Credit Societies Act 1912, the credit cooperatives were developed facilitating the non-credit services to their members under the provisions of the Act. Moreover, due to this enactment, in the credit sector, urban cooperative banks converted themselves into Central Cooperative Banks with primary cooperatives and individuals as their members. Similarly, non-credit activities were also cooperatively organized such as purchase and sales unions, marketing societies, and in the non-agricultural sector, cooperatives of handloom weavers and other artisans.

The cooperative movement of the province entered a new phase as under the provision of the Cooperative Societies Act of 1912, Non-credit Cooperative Societies could also be established. Secondly, in the said year, Bihar and Orissa were separated from Bengal. Consequently, upon the establishment of several

Central Banks and banking unions, "the need for liquid capital in the shape of cash credit at a reasonable rate of interest and for adequate funds to enable the Central banks to finance these societies was felt." This led to the establishment of the Bihar and Orissa Provincial Cooperative Bank as the apex body in the year 1914. Thus, the three-tier system was introduced in the Cooperative structure.

At this stage, the advent of the First World War in 1914 affected the growth of cooperatives at the national and state level by impacting the export and prices of cash crops adversely, resulting in increased over-dues of loans of primary agricultural societies. The Bihar and Orissa Cooperative Federation was established towards the end of 1918 with the principles that underpinned their way of doing business.

So far, the central point of attraction has been the cooperative credit societies. It never emerged that the principle of Cooperative can also be extended to non-credit areas. It was during this period that a few attempts were made to start societies for the weavers of Cuttack and Sambalpur towns. At the insistence of the Registrar, the Khurda Central Bank also had undertaken the responsibility of organising societies among the fishermen living along the bank of the Chilika Lake, to improve their material condition. After notable development during this period at the national level, was the appointment of the Committee on Cooperation under the chairmanship of Mr. MacLagan in the year 1914. The period between 1903 to 1911 has been marked as spectacular as the year 1903 signifies the commencement of the experiments in the cooperative institution and the closing year i.e., 1911 happens to be the year up to which Orissa had continued as a part of the Bengal province. Naturally therefore, the movement before 1912 was clouded by larger movement in Bengal and its later growth by that of Bihar and Orissa Provinces.

The movement confronted a setback during the 1930s' in the wake of the economic depression and many weak co-operative societies which were in a moribund condition were weeded out. However, in 1936 when Orissa was made a separate province there existed in total 2154 co-operative societies with a membership of 74,000 and working capital of rupees 98 lakhs. After the formation of the province of Orissa, the State Government appointed a one-man Committee headed by Diwan Bahadur K. Deivasikhamoni Mudaliar, on 23rd December, 1937 to enquire into the condition of co-operative movement and the working of the Co-operative Banks in Orissa.

The Ministry of Biswanath Das appointed the Committee also initiated measures to promote cooperative activities in the State and in this regard, it had

enacted the Orissa Cooperative Land Mortgage Bank Act in 1938. The Act was enacted mainly to facilitate the establishment of a Provincial Co-operative Land Mortgage Bank in the State of Odisha. Under the Act, the Provincial Co-operative Land Mortgage Bank was registered in September 1938. The Bank, however, confined its work in the beginning in the districts of Cuttack and Ganjam. The Act was amended in 1943 to rectify certain defects which had prevented the Land Mortgage Bank to advance loans to its members.

The period from 1939 to 1945 i.e., the period of Second World War provided a further stimulus to the growth of the Urban Cooperative Credit structure. Many societies had started banking functions and had grown and operated over a period, with substantial diversification of activities.

In the Indian context, cooperative movement was officially started in 1904 but the real beginning has taken place since early fifties and more specifically with the implementation of the radical recommendations of the Rural Credit Survey Committee (1954). This nation-wide survey was carried on at the institutional level as well as at the cultivator level. It was observed that about 70 per cent of the total credit requirements of the agriculturists were supplied by the professional money lenders. The government and the co-operatives had supplied just 3.3 and 3.7 percent, respectively. The committee identified that a substantial part of institutional credit was used by the big farmers.

Thus, after independence, the Government made a planned attempt to nurture the cooperative movement in the State and accordingly the Orissa Co-operative Societies Act, 1951 and the Orissa Co-operative Societies Act, 1962 were enacted to make the co-operative laws simple, comprehensive and to facilitate the growth of cooperatives in the State. The attempt became more focused after the All-India Rural Credit Survey conducted by the Reserve Bank of India (RBI) came out with its report in 1954. It brought out the fact that in 1954 exactly after fifty years of the cooperative Act i.e., 1904, as has been mentioned earlier, the co-operative institutions supplied only 3 per cent of the credit requirement of the farmers.

The All-India Rural Credit Survey of 1951 aptly remarked "*Co-operation has failed but cooperation must succeed*". It recommended a well-defined institutional framework for cooperative organization particularly for meeting the needs of rural India. The Orissa Provincial Co-operative Bank was inaugurated by the Governor of Orissa in the forenoon of 17 October 1948. The number of Central Co-operative Banks in the State increased to 23 by 1951, because of the integration of the Princely States or *Garjats* with the State. The number of co-operative societies were also increased and by the beginning of the First

Five-Year Plan there were 5145 co-operative societies in the State with a membership of 2.95 lakhs and working capital of rupees 4.28 crores. After independence, the Government made a planned attempt to nurture the cooperative movement in the State and accordingly the Orissa Co-operative Societies Act, 1951. Most of the recommendations of the All-India Rural Credit Survey Committee were implemented into practice by the State Governments during the Second Five-Year Plan (1956-61).

Committees and Commissions on Cooperation

The Government of India, the Planning commission, the Reserve Bank of India, and different ministries of the government have appointed different committees and commissions and sought their recommendations from time to time for strengthening the cooperative system, enlightening their performance and financial health, and increasing the flow of cooperative credit to the rural sector. These comprise the MacLagan Committee on Cooperation (1915), Royal Commission on Agriculture (1928), Gadgil Committee (1944), Cooperative Planning Committee (1951), Central Committee on Cooperatives (1953), Committee on Cooperative Law (1956), Committee on Cooperation (1965), Santhanam Committee (1969), National Commission on Agriculture (1971, 1976), Special Study Group (1971), RG Saria Committee (1972), Working Group on Cooperation for the Fifth Five-Year Plan (1973), Hazari Committee (1975), CRAFICARD (1981), Committee on Cooperative Law (1985), Committee on Democratization and Professionalization of Cooperative Management (1987), Agricultural Credit Review Committee (1989), Expert Committee on Model Cooperative Act (2000), Expert Committee on Rural Credit (2000), Committee on Revitalization Support to Cooperative Credit Structure (2002), Advisory Committee on Flow of Credit to Agriculture and other related activities from the Banking System (2004), Task Force on the Revival of Cooperative Credit Institutions (2004) and High Powered Committee on Cooperatives (2005). All of them made valuable recommendations in their reports which have been implemented to certain extent. The government has also formed some national level institutions for financial, technical, advisory, and training support to the cooperative system. These are the Agricultural Refinance Corporation (1962), the National Cooperative Development Board (1964), Vaikunth Mehta National Institute of Cooperative Management (1994) and the NABARD (1981).

The establishment of the Reserve Bank of India in 1934 marked a remarkable event in the history of the banking system in India which played a significant role in strengthening the cooperative rural credit system. From the

advent of economic planning in 1951 to till 1990 the objective was towards rapider and equitable economic growth with cooperatives as dynamic representatives of positive transformation in the realm of rural and agricultural sector. Several committees, working groups, expert groups and national level institutions like NABARD were established to strengthen, widen and stimulate the development of the cooperative system and its activities. The year 1991 marked the commencement of country wide economic reforms with the emphasis on countering the adverse effects of intrusive state patronage, destructive politicization, and devastating portfolio management within the cooperative system.

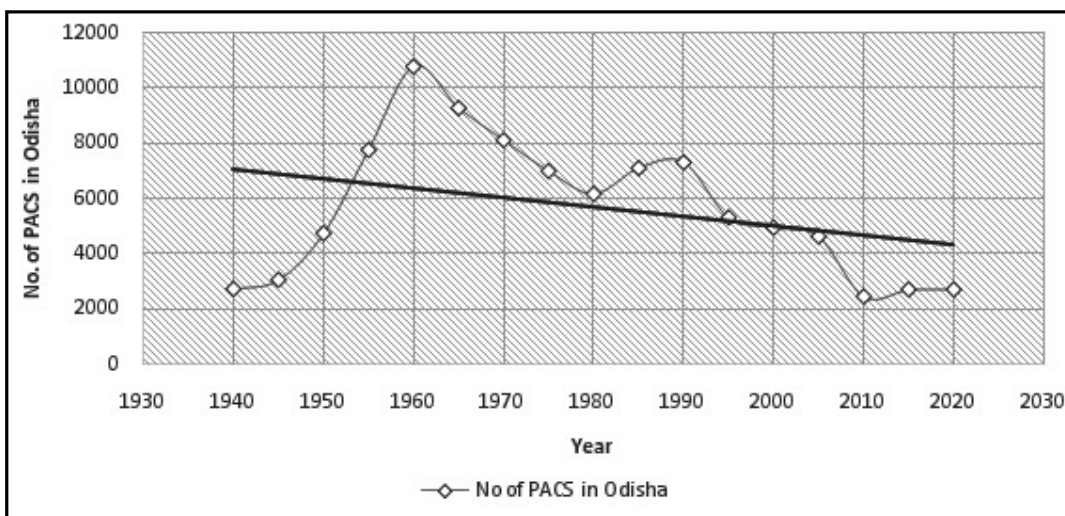
Over more than 100 years, the Rural Cooperative Banking and Credit Institutions have remained the prime institutional agencies with a vast network, wide coverage and outreach extending to the remotest rural areas in the State.

**Table-1: Growth of Primary
Agricultural Cooperatives in Odisha (1940 to 2020)**

Year	No of PACS in Odisha	Index
1940	2726	100.0
1945	3057	112.1
1950	4737	173.8
1955	7764	284.8
1960	10786	395.7
1965	9286	340.6
1970	8117	297.8
1975	7001	256.8
1980	6173	226.4
1985	7108	260.7
1990	7314	268.3
1995	5315	195.0
2000	4948	181.5
2005	4626	169.7
2010	2452	89.9
2015	2708	99.3
2020	2707	99.3

Source : Compiled from Annual Activity Reports, Department of Cooperation, Govt. of Odisha.

Table-1 demonstrates the number of Primary Agricultural Cooperatives societies (PACS) and its position, growth of PACS in Odisha since 1940. We have taken 1940 as a base year (index) to measure the percentage changes taken place in the growth of PACS in Odisha over the period 1940 to 2020. It is evident from table-1 that up to 1960 there has been an impressive growth of PACS in Odisha. While there were only 2726 PACS in the year 1940 in Odisha, it had recorded an increase to 10786 in the year 1960 constituting a percentage change in growth of PACS to 395.7. From 1960 onwards there was a gradual decline in the expansion of PACS in Odisha which declined from 10786 in 1960 to 6173 in 1980. The graph presented below shows the trend of growth of PACS in Odisha since 1940 (up to 2020).



Although the Commercial Banks have entered the rural areas in a big way, the Cooperative credit institutions continue to play a crucial role in meeting the growing credit needs of rural India with the volume of credit flowing through these institutions increasing. The Cooperative provides about 65 per cent of the total crop loan dispensed to the farmers in the state as against the national average of 17 per cent. These Cooperative Institutions are primarily owned by farmers, rural artisans etc., and were set up with the objective of promoting thrift and mutual help among the members. The Cooperative credit societies at the grassroots level are intended not only to cater to the credit requirements of the members but also to provide credit-linked services like input supply, storage, and marketing of agricultural produce etc. In view of these special features, the role of these Rural Cooperative Credit Institutions becomes more significant.

Conclusion

This decline in PACS in 1980 may be attributed to the emergence of Regional Rural Banks (in the year 1976) as an alternative, competitive as well as complementary banking setup to provide agricultural finance to rural economy. Secondly, there was nationalization of 14 major commercial banks in India (1979) with a focus on branch expansion in Rural regions with the objective for priority sector lending to rural people. The decline in the number of PACS was at a higher magnitude from the year 1990 onwards; from 7314 to a meagre number of 2707 in the year 2020. This high decrease in the number of PACS in Odisha from 1990 was mostly due to the liberalization and globalization policy of the Government and entry of private banks massive scale represented as competitors to both the public sector banks and PACS. Further, this drastic decline in the number of PACS in Odisha from 1990 was probably due to the poor recovery of loans, defunct of PACS due to high Non-Performing Assets (NPAs) and bad loans, and emergence of Self-Help Groups (SHGs) and SHGs-linkages with commercial banks (in the year 1982) which catered to the credit need of the rural households, for various economic activities.

To sum up, since the 1950s, the cooperatives in India have made remarkable progress in the various segments of Indian economy. During the last century, the cooperative movement has entered several sectors like credit, banking, production, processing, distribution / marketing, housing, warehousing, irrigation, transport, textiles and even industries.

However, Industrial Co-operatives suffered from several problems, such as inadequate supervision and inspection and lack of prompt audit, irregular and insufficient supply of raw materials, fluctuations in prices, insufficient storage facilities, lack of cheap and adequate finance, accumulation of unsold stock, monopoly of middlemen and traders, etc. The overall picture of working of industrial cooperatives for the reforms period has been disheartening.

A perusal of the study reveals that regarding agricultural cooperative credit structure, although the quantitative expansion has been somewhat satisfactory, the movement continues to suffer structural defects and operational deficiencies. As has been pointed out earlier, the acknowledged operational deficiencies of the cooperative credit structure have been (i) weak recycling of credit, (ii) poor resource mobilization, (iii) ineffective lending and (iv) poor recovery.

The foremost policy thrust is to improve the operational and allocative efficiency of the financial system by correcting many of the exogenous and

structural factors affecting the performance of the financial institutions. Simplification of external constraints such as administered interest rate structures and reserve requirements for banks, strengthening the financial base of the financial institutions, facilitating the entry of new institutions, exploring indirect monetary policy instruments, and strengthening prudential regulations should be some of the items on the agenda of the financial sector reforms.

Notes and References :

Northcok, S. (n.d.). Bengal under the Lieutenant-Governors, Vol. I. In C. Buckland; speaking on the Orissa famine in the British House of Commons on August 2, 1867, Sir Stafford Northcok, the Secretary of State, remarked: *"This catastrophe must always remain a monument of our failure, a humiliation to the people of this country, to the Government of this country, and to those of our Indian officials of whom we had been perhaps a little too proud."*

Government of Madras. (1930). *Madras Provincial Banking Enquiry Committee Report*, 5 Vols. Madras.

Tripathy, S. (2000). *Contractual Labour in Agricultural Sector*. Discovery Publishing.

Senapati, S. (2012). Co-operative Movement in Odisha: Highlights of Progress. *Odisha Review*, February - March, 51-54.

Government of Odisha. *Annual Activity Report 2018-19*. Cooperation Department.

