



Co-operation and State-aid

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ABSTRACT

This is a descriptive paper explaining state aid in co-operation. The paper has been divided into four parts namely justification for State-aid, balanced View, forms of State-aid in India and state Interference.

The co-operative activity could not think of Government or any other outside help and perforce depended upon self-help, which proved its efficacy to such an extent that it came to be formed into a principle of co-operation. It has been said that there is a sharp limit to self help but there is no limit to self-help. Outside help, from whatever quarter it may come, makes its recipient dependent and kills his initiative. Moreover, state-help may be withdrawn abruptly at a difficult time and endanger the very existence of the movement. Self-help, as opposed to state-help, has thus become a 'Dharma' for the co-operators and it is considered safe to avoid state-help. At the same time even in some of the advanced countries, State aid has been considered indispensable. State-aid, however, cannot be made a regular feature of the co-operative movement. It should be made available just like the supports under a cement structure which-are withdrawn as soon as the cement is set. Moreover State-aid does not necessarily mean State interference in the working of cooperative societies.

The origin of co-operation can be traced back to the existence of certain socio-economic and political conditions, namely the increasing gulf between the rich and the poor, created by the exploitation of the latter by the former and the Laissez faire policy of the government which gave a favorable climate to the comparatively better placed to flourish. Co-operation, which has mostly been working class movement, had to struggle against odds to make itself successful. It could not think of Government or any other outside help and perforce depended upon self-help, which proved its efficacy to such an extent that it came to be formed into a principle of co-operation. It has been said that there is a sharp limit to self help but there is no limit to self-help. This, as a principle, is on all (fours with the; co-operative principles. Outside help, from whatever quarter it may come, makes its recipient dependent and kills his initiative. In a co-operative society, it slackens the process of self-help, which is one of its basic ideals. Moreover, State-help may be withdrawn abruptly at a difficult time and endanger the very existence of the movement. Self-help, as opposed to State-help, has thus become a 'Dharma' for the co-operators and it is considered safe to avoid State-help.

1. Justification for State-aid :

The principle of self-help was developed in developed countries where people were conscious of the exploiting forces and the circumstances which led to their poverty. It was this consciousness that enabled them to come out of the clutches of their exploiters through the steady process of self-help and mutual-help.

In India, the circumstances are different. People were not even conscious of the, opposing forces, much less of the methods to combat them. The movement, therefore, had to be initiated by the Government and still requires State aid to go ahead. The Rural Credit, Survey Report justified

State-aid in these words: "The prevailing conditions cannot be transformed by the very persons who are oppressed and rendered weak by their existence. The forces of transformation have to be at least as powerful as those which are sought to be counteracted. Such force can be generated, not by Co-operation alone but by Co-operation in conjunction with the State."

From the point of view of public policy also there is much jus-

tification for aid to co-operatives. Co-operation is a method to improve the condition of the masses and as such it is a means to carry out Government policies directed towards the welfare of the people. Co-operation is now a necessary instrument of democratic planning and a recognized agency for the execution of Government policies specially at village level. This being the role assigned to it by the society, the movement also has a claim on the society. Within the ambit of public policy, therefore, assistance should be available to co-operatives to enable them to fulfill the tasks allotted to them. Also Government help to the people, if routed through the Co-operatives, would be more effective, inasmuch as it would be applied to the requisite purpose and yield better and lasting results.

In practice also, State aided Co-operation has yielded better results. It was observed in the Rural Credit Survey Report that "Central banks of Madras which were among the most efficient in this country have, in practice, not provided credit in anything like the same proportion to the total borrowing of producers as has the Bombay system after the reorganization of the structure and its operations, on the basis of State participation."

2. Balanced View :

Thus, there are two views-one against the acceptance of Government aid and the other in its favor. There is no denial of the fact that self-help is better than outside help. On the other hand, it is equally true that State-help in countries like India is indispensable.

Even in some of the advanced countries, State aid has been considered indispensable. In U.S.A., Government is actively collaborating with the co-operative movement especially with the societies at the secondary level. In Canada, which is so well developed a country in co-operation, the State had not given any preferential treatment to the movement in the past and as a result the movement could not-develop so rapidly. Dr. A.R. Eaton, in his speech, referred to the role of the State in terms quite significant to the co-operatives: "Governments" he said, "take upon themselves today full responsibility for the State of economy. They did not do so even twenty years ago. The change in this attitude of the Governments can only be described as revolutionary." Commenting on his remarks the "Co-operative Commentary" complained that many Governments in the past "merely tolerated co-operatives and not

too gracefully at that. If succeeding Federal Governments had been enthusiastic about co-operative development the co-operative movement in this country would not have to contend with an unsatisfactory legal status, as it does and co-operatives would be under no disadvantage as regards income tax as they are. Further more, co-operative growth would have been assisted in positive ways, if not directly in exceptional cases." Thus, it is clear that even developed countries are considering it necessary that the State should give aid to the co-operative movement, in one form or the other.

State-aid, however, cannot be made a regular feature of the cooperative movement. It should be made available just like the supports under a cement structure which-are withdrawn as soon as the cement is set. In other words, State-aid should help the co-operatives to help themselves. It should be given just to make self-help more effective. To support this a quotation from the speech of Dr. A.K. Eaton referred to above will be very instructive. He said: "A co-operative is like a plant. Care can be taken to have good seed of a proper strain; the soil can be well prepared: protection can be given from early frost; fertilizers can be applied, but like any other organization, each co-operative must, sooner or later learn to rely on its own resources." The quotation confirms the contention that State-aid is necessary in the initial stages of the societies. Ultimately the societies should learn to be able to stand on their own feet and go on with their own steam.

Moreover, State-help should be kept within limits so as to allow self-help to develop to its full stature. In some cases it may not be given at all but only kept ready at hand to be released as and when the necessity arises. Shri Shriman Narayan in a talk given at Poona emphasized: "I see that there is a growing tendency among the people who form co-operative societies- to always look to the Government and the Reserve Bank of India for financial assistance. Whenever schemes are, placed before us in the Planning Commission the first question put to us is: What will the Reserve-Bank of India and the Government do with regard to the finances? The co-operative movement should not be a movement dependent for ever on the Government. It was supposed to, inspire the people with the idea of self-help and Government coming to their aid only as a stand by."

The above lines are not only instructive but also give the idea of Government help in its clear perspective.

3. Forms of State-aid in India :

State-aid which is now a recognized feature of the co-operative movement has taken following forms :

(1) Legislative : Co-operative societies were given, a judicial recognition under the Indian Co-operative Societies Act. Since the political reforms of 1919 in India, Co-operation is a transferred subject and most States have enacted their own Laws to give better opportunities to the movement to develop. For facilitating the working of the land development banks, special laws have been passed. The Acts confer numerous privileges to promote and streamline the working of co-operative societies.

(2) Administrative : The Registrar of Co-operative Societies with his staff is called the "friend, philosopher and guide" of the co-operative movement. He initiates the organization of societies, guides their affairs, and arranges their inspection, audit and arbitration, etc. The Government, thus, provides a major part of the supervisory set up of the societies.

(3) Financial:

- (a) Co-operative societies have been exempted, to a great extent, from the payment of income-tax, super-tax, registration fees and stamp-duties on documents pertaining to their business with members.
- (b) The Government sanctions managerial help to credit as well as non-credit co-operative institutions in their initial stages. This assistance is being given on a sliding scale, so that as soon as possible the societies may be able to stand on their own legs.
- (c) NABARD gives massive refinance facilities to cooperative banks and land development banks-to the former for seasonal agricultural operations, marketing of crops, etc., and to the latter, for advancing investment credit to the farmers and others.
- (d) NCDC gives promotional and financial assistance to the co-operatives for marketing, processing, storage and supplies, etc.
- (e) Various funds have been created at the level of the State and Central Governments and Reserve Bank of India for the benefit of the co-operative movement.
- (f) The Government of India has taken up the responsibility for financing training programmes of the co-operative personnel at higher and intermediate levels.

(4) State Partnership : State-help is no longer restricted to mere State aid and guidance. It has expanded itself to State partnership. The State, instead of merely standing by, enters the arena of struggle itself by becoming a partner in societies, thus providing a balancing factor between the weak co-operative movements on the one hand and the strong private sector on the other. Participation of the State creates the necessary confidence in the members as well as non-members in the co-operative institutions. It also gives the societies the borrowing power necessary to enable i to raise funds sufficient to meet the credit needs of the members.

(5) Other Help : The Government has taken upon itself the responsibility of planning the programme of development of co-operation and seeing through its implementation. Moral backing of the Government to the movement also goes a long way to energise it. Co-operation-is now recognized as an instrument of democratic planning and the State has to co-ordinate its effort with those of the people, in development.

4. State Interference :

State-aid does not necessarily mean State interference in the working of cooperative societies. State-aid to the extent and with the safeguards explained above is quite safe to accept. It, however, becomes harmful if it leads to interference in the internal management of societies

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