

Rabindranath Tagore's Idea on Cooperative Principle and Its Relevance in the Present Indian Economy

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Abstract: Rabindranath Tagore suggested the use of cooperative principle as a way for eradicating poverty of rural India and took initiatives for its implementation in the village of Surul, later named as Sriniketan. This paper attempts to review his idea on cooperative principle focusing on the relevance of his ideas in the present Indian economy. Our study, based on secondary data, finds that the overall economic condition of the country has definitely been improved; but, the economic and social evils, pointed out by Rabindranath, like rural-urban disparity in standards of living of people, deprivation of poor people from access to the basic amenities of life, like education, health etc., limited access to credit and hence lack of affordability to improved production technologies for the small and marginal farmers, their dependence on moneylenders and the consequent exploitation are not removed completely from the country. Further, in spite of having a long history of cooperatives, the potential of cooperatives as means to fight these problems is not utilized properly. So, in the context of present Indian economy also Rabindranath's ideas are pertinent.

Keywords: Cooperatives, Rabindranath Tagore, agricultural credit.

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I. INTRODUCTION

Agriculture supplies primary needs of people. It provides raw materials to some of the industries. It is the market base for industrial products. So, although economic development puts emphasis on industrial development, agricultural development is equally important for a country. It is found that in India at present 15.4 per cent of the gross value added come from the agricultural sector (NABARD, Annual Report 2015-16). According to the last census held in 2011 68.9 per cent people of India live in rural area, and among the rural population, 72.3 per cent are dependent on agriculture as the source of livelihood¹ (National Institute of Rural Development and Panchayati Raj, Rural Development Statistics 2015-16). Therefore, agricultural and rural development is utmost important because overall development of the country is mostly dependent upon development of this sector.

To develop the agricultural sector investment is necessary for financing the cost of factors of production, adopting new technologies, storing and marketing of the product etc. It is suggested that cooperative credit institutions are very significant source of agricultural credit. Not only for agricultural sector, throughout the world, including India, it is found that cooperative credit societies play a significant role in providing credits. There are non-credit cooperative institutions also which are formed to fulfill specific common objectives of the members. The International Co-operative Alliance defines a cooperative as "an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly owned and democratically controlled enterprise".^[1] The guidelines for the formation and working of cooperatives can be observed in the definition. First, membership is essentially voluntary. Second, it is democratically controlled as there is one member one vote principle. Third, the profit generated by the cooperative is distributed among the members. Fourth, it is an independent and autonomous body. Fifth, a cooperative takes initiatives to educate its members so as to improve its economic activities. Sixth, mutual cooperation among the local, national and international cooperatives is also one of the principles. Seventh, a cooperative should cater to certain social responsibility. So, a cooperative is guided by these seven driving principles.^[2]

Essentially, the vital role that can be played by the cooperative societies was advocated by Rabindranath Tagore. The objective of the present paper is to review Rabindranath's idea on cooperative system and his initiatives towards it focusing on the relevance of his ideas of cooperative system as an instrument for economic development of the country in the present days; a brief overview of evolution of cooperatives in India and the current use of the cooperative system is also presented.

The paper is organized as follows. A brief survey of the literature on Rabindranath's idea on cooperative principle is presented in Section 2. His view on cooperative system and his initiatives for its implementation are described in Section 3. Section 4 focuses on the relevance of Rabindranath's idea on cooperative system in the context of present Indian economy. Section 5 presents the history of evolution of cooperatives in India. A brief overview of the present use of the system is given in Section 6. Some concluding remarks are made in Section 7.

II. A BRIEF SURVEY OF THE LITERATURE

Jha (1994) comments "Although deeply steeped in Hindu and Islamic traditions, Rabindranath's family contributed large sums of money for the introduction of Western education, including colleges for the study of science and medicine. This peculiar situation explains the combination of tradition and experiment that came to characterize Rabindranath Tagore's attitude to life" [3]. He describes the important personalities and events which influenced Rabindranath's social thoughts. Chakrabarti and Dhar (2008) compare Tagore's idea on cooperative principle with Marxian view on this. [4] Basu (2009) opines that Rabindranath's ideas on cooperatives and panchayats can be viewed in the sense of sustainable development which is based on man-man and man-nature cooperation. He points out that whereas Rabindranath's idea on sustainable development is based on ancient Indian world-outlook, Amartya Sen's idea on that is based on western world-outlook. [5]

Palit, Mitra and Banerjee (2009) present a comprehensive study of Rabindranath's work and ideas on rural reconstruction which was based on cooperation and self-reliance among the people.[6] Dasgupta and Ray (2009) opine that Rabindranath was concerned with the poverty of our intellectual as well as material life. He wanted that the institutes at Santiniketan and Sriniketan, which were established for this purpose, would be examples for the entire country as an initiative to remove this poverty of the nation. [7]

Mitra (2014) analyses the issue of asymmetry between the relative powers of the capitalists and the wage-earners which was addressed by Rabindranath in his write-up on cooperative principle. Historically, it is found that in many countries the financial cooperative credit institutions survived during the periods of global economic crisis while the banking sectors failed. Empirically, the contribution of the global credit unions and European cooperative banks are assessed before and after the crisis of 2008. Essentially, this paper explains how Rabindranath in India and Lenin in Russia put emphasis on the role of cooperative movement for the economic development of the people of a country, especially for the less privileged ones. [8]

Chattopadhyay (2015) analyses Rabindranath's views on the aspects of agriculture, rural reconstruction and environment for human development. She points out that the present programmes of human development are definitely indebted to those ideas which were based on self-reliance and cooperation among people.[9]

Roy (2015) argues that the economic ideas of Rabindranath are relevant even in the era of globalization. He explains how Rabindranath's wisdom on modernization of farming, use of machines for increasing production, balanced growth between rural and urban lives, importance of large-scale as well as small and cottage industries, disparity of income among the people of the country have impact in the idea of economic development of our country.[10]

Joshi (2014), Mukherjee (2011) and many other authors explain the successes and failures of Indian cooperative system. [11] [12] Tripathi (2015) analyses the trend in rural credit in India comparing the institutional and non-institutional sources emphasizing on the distribution of credits among the small and large farmers. It is shown that between 2002 and 2012 the share of institutional sources in total agricultural credit has not grown satisfactorily; further, those have been biased against the small farmers and this fact implies increasing inequality among the farmers. [13]

III. RABINDRANATH TAGORE'S IDEA ON COOPERATIVE SYSTEM AND HIS INITIATIVES TOWARDS IT

Rabindranath Tagore was born in an educated liberal family. His grandfather Dwarakanath and father Debendranath were very much involved in the spread of Brahma Samaj Movement. A meditation centre named 'Santiniketan' was established by Debendranath. In his childhood Rabindranath once got the opportunity to have the close company of his father Debendranath at Santiniketan and Dalhousie. Rabindranath used to learn Sanskrit and English literatures, history, astrology, modern science, religious advices from his philosopher and wise father regularly. This time Rabindranath first came close to the beauty of nature and rural life. Perhaps, this arouses his love and respect for rural life and our traditional culture. Later, when he was a bit older, during his journey to Europe the exposition to British social life and culture made him familiar with new ideas (Jha 1994). After a few years, in 1890, he was given some responsibility of managing their family estate at Seliadah in the then East Bengal. Palit, Mitra and Banerjee rightly comment, "... this new assignment provided the most important turning point of his life and achievement there from" (p. 53). In this phase of his life he came in direct contact with the miseries of the poor village people. He was deeply moved by this. From then he took initiative to find a way out. He believed that charity cannot permanently change the poor condition of the peasants; he

always stressed emphasis on development of people through self reliance. [14] He said "It is by this (cooperative) system that our country can be rescued from its age-long poverty and stagnation" (p. 13). [15] Rabindranath advocated the implementation of the principle of cooperatives for rural development for the following reasons. First, the amount of capital of an individual cultivator may not be adequate to fulfill the requirement, but the amount can be increased if the resource-poor cultivators jointly invest. Second, from ancient period to modern times, in the production processes, we shift from hands to tools and then from tools to machines. New technologies are used to increase production and productivity which requires huge investment. For this, a large farmer may not face problem but for small and marginal farmers it becomes difficult to raise funds. In that case, their collective fund may enable them to make large investment and to adopt new technologies. Third, the existence of a few large farms and large number of small and marginal farms leads to concentration of monopoly power in the hands of a few, and there are consequent social and cultural evils and exploitations. This could be minimized if the poor farmers work collectively. Fourth, with fragmented small areas of land production becomes inefficient. If the owners of small farms jointly put their efforts, utilize the factors for production and marketing of the product then that would minimize wastages of time and money. That is, such inefficiencies can be reduced by joint cultivation of a land of a larger size. [16] Further, it was argued that wealth and income inequality among the people of a society leads to exploitation of one group by the other group. Through cooperation the less privileged group can acquire wealth and inequality can be reduced. According to Rabindranath people need self-confidence, self-dependence and unity in order to get rid of poverty in the long run. Cooperatives can take care of all these aspects.

Rabindranath did not confine to theoretical aspects of setting up of cooperatives only; he was actively involved in the implementation of the system which was evident from the establishment of the Rural Reconstruction Institute at Sriniketan in 1922.² The institute was set up to deal with the activities like production of better quality crops and live-stock, and marketing of those, provision of training to the cultivators in carpentry, tailoring, pottery etc. that could provide alternative occupations to them during the agricultural lean seasons. Field surveys to address and solve the problems like soil erosion were also carried by the Research Unit of the Institute. Rabindranath's connection with Leonard Elmhirst, a British agricultural economist, helped a lot in these rural reconstruction programmes. In every sphere the principle was to use cooperation among the village people. [18]

He wanted to reconstruct the village of Surul, later named as Sriniketan, so that the villagers could supply all their needs of their own (Tagore 1963: 19). For this he took up schemes for agriculture, animal husbandry, weaving, cottage industries etc. The Patisar Krishi Bank was founded by Rabindranath in 1905 which was the first cooperative bank in Bengal (Mitra 2014: 67). There were agricultural credit cooperative, health cooperative, irrigation cooperative, fishery cooperative, weaving cooperative which ran successfully. Visva Bharati Central Cooperative Bank was also established in 1927 and there were 26 agricultural cooperative credit unions associated with this which worked very successfully in fighting the problem of rural indebtedness. Various initiatives were taken for rural reconstruction. Day and night schools for both children and adults were set up where the curriculum included basic mathematics, crafts and recreational activities etc. Certain preventive and curative schemes for awareness of health and sanitation were also undertaken. *Brati-balakas* and *brati-balikas* were involved with those works as volunteers. The idea of *Dharmagola* was introduced in 1928 where every family of the village used to deposit some amount of paddy during the period of harvesting which would help them at the time of exigencies. *Mahila Samiti* and *Santal Hitaishi Samiti* were set up for development of women and tribal communities respectively. Essentially, Tagore's scheme of rural reconstruction was entirely based on self-reliance and mutual cooperation among the villagers (Palit, Mitra and Banerjee 2009).

In 1930 while visiting Soviet Russia he was overwhelmed observing the changes that had been made to the conditions of the general public after the revolution. Russia was an agro-based country like India. He remembered the people of India who were poor, uneducated like the farmers and workers of Russia before revolution. But spread of education and other facilities changed their conditions within a very short period. He was very much impressed by the process of collective farming existed there. In an interactive session with the common people there he noticed that although individuals had special feelings for their private properties, in general, people realized the benefit of collective farming and joined those eagerly.[19] It is interesting to note that well before his visit to Russia he took initiative for implementation of cooperative principle in Selaidah and Patisar.

IV. RELEVANCE OF RABINDRANATH'S IDEA ON COOPERATIVE PRINCIPLE IN THE PRESENT TIME

Recent studies argue that there are various positive aspects of a cooperative society. First, it is an organization for the less privileged sections of a country; so, it ensures financial inclusion. Second, it is based on self-esteem and mutual help among the people. Third, it reduces conflicts and power-struggles among different classes in the society as inequality in wealth and power can be reduced through expansion of this principle.

Fourth, the problems of agricultural development like shortages of funds, equipment, storing and marketing facilities etc. can be overcome by the use of cooperative system. Fifth, it has a significant role in the expansion of small and cottage industries. We observe that all these points were advocated by Rabindranath in his writings, and, initiatives were taken by him for their implementation. Further, it is argued that through cooperatives while dealing with other groups the bargaining power of the members can be enhanced. For example, in case of agricultural cooperatives farmers can enhance their control over the prices of the products they receive and the prices of the inputs they pay, whereas, individual farmers cannot have control over such prices. Again, cooperative model of development is not dependent on external shocks like the health of the stock markets etc.; rather, this system is owned and democratically controlled by the members internally. For this, during the periods of economic slowdown these institutions are less affected.

Rabindranath suggested the use of cooperative system as a remedial measure to counter the wide spread poverty of the country. The scenario regarding poverty of the country in the last four decades is shown in Table 1. It

	Rural	Urban	Combined
1973-74	56.4	49	54.9
1977-78	53.1	45.2	51.3
1983	45.6	40.8	44.5
1987-88	39.1	38.2	38.9
1993-94T	50.1	31.8	45.3
1993-94L	37.3	32.4	36
1999-00	27.1	23.6	26.1
2004-05L(URP)	28.3	25.7	27.5
2004-05(MRP)	21.8	21.7	21.8
2009-10	33.8	20.9	29.8
2011-12	25.7	13.7	21.9

Notes – T: Tendulkar methodology L: Lakrawala methodology
 URP: Uniform Reference Period MRP: Mixed Reference Period
 Source: Government of India, Planning Commission, Data-book compiled for use of Planning Commission, 22 December 2014.

is seen that the incidence of poverty in India has been falling but yet about 22 per cent people are below poverty line according to the latest available data. Further, the figure is higher for rural India.

He wanted that the direction of development should be villages as most of the people of our country lived in villages and people living there were deprived of the basic amenities of life viz., food, drinking water, health facilities, education etc. (p. 403). [20] Again, the majority of the people of rural India were dependent on agriculture as the source of livelihood. So, for development of the country we should focus on rural and

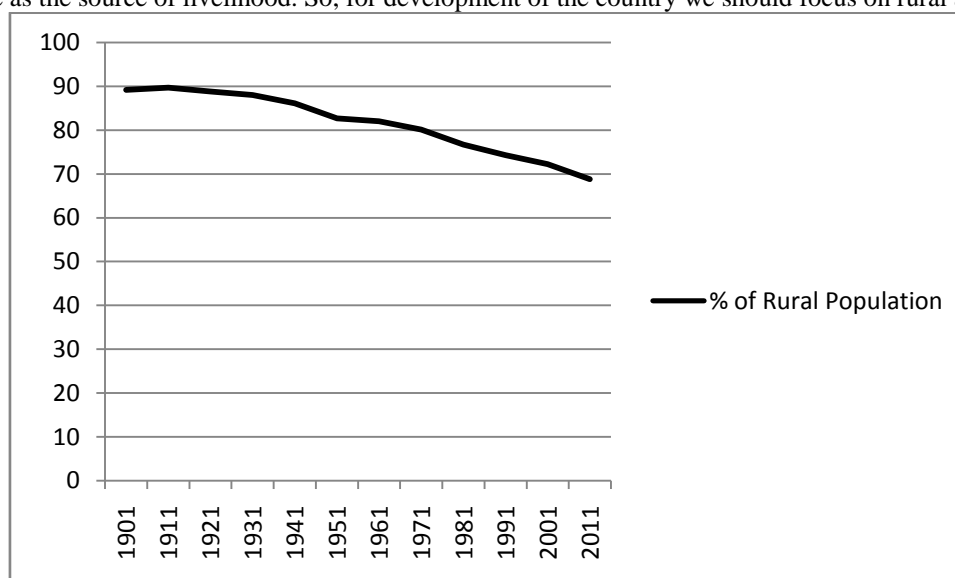


Figure 1: Percentage of Rural Population

Source: EPW Research Foundation (2013), India: A Pocket Book of Data Series 2013, Academic Foundation, New Delhi.

agricultural sector. Figure 1 shows that with passage of time the proportion of people in rural area has been decreasing gradually, but according to the last census still it is almost 70 per cent. Over time as a result of economic growth it is natural that the share of agriculture in GDP will fall which is evident from Figure 2. But it



Figure 2: Share of different sectors in GDP (%) (Base Year 2004-05)

Source: Self computed from EPW Research Foundation (2013), India: A Pocket Book of Data Series 2013, Academic Foundation, New Delhi.

can be noted from Table 2 that the share of Agriculture, Forestry and Fishing in the GDP of the rural sector is more than that in overall GDP; in 2011-12 the share has come down to 14 per cent of overall GDP whereas it is almost 30 per cent of rural GDP. It reveals the importance of agriculture in the rural sector.

	Overall	Rural
2004-05	19	37.5
2005-06	18.3	36.3
2006-07	17.4	34.9
2007-08	16.8	34
2008-09	15.8	32.5
2009-10	14.7	30.7
2010-11	14.5	30.4
2011-12	14	29.6

Source: EPW Research Foundation (2013), India: A Pocket Book of Data Series 2013, Academic Foundation, New Delhi.

Historically, it was seen that in many countries cooperatives were formed to counter social and cultural exploitations of people caused by the presence of wealth and income inequalities among people. Rabindranath also emphasized that the inequalities between the rich and the poor and between rural and urban sectors hindered the path of development of a society because inequalities lead to exploitation of majority by the minority. He opined that the only way out can be cooperative principle. The level of inequalities in India measured by Lorenz ratio during recent time is observed from Table 3.

	Rural	Urban
2004-05	0.2655	0.3475
2009-10	0.2758	0.3706
2011-12	0.2803	0.3673

Source: Government of India, Planning Commission, Data-book compiled for use of Planning Commission, 22 December 2014.

The Gini coefficient for the year 2015 was 35.2; further, the coefficients of inequality in life expectancy, education and income were respectively 24, 39.4 and 16.1 (UNDP Human Development Report 2016).

In order to study the issue of rural-urban disparity in India we have compared various indicators of economic development. Table 1 reveals that the poverty ratio is measured using different methodologies. But the point to be noted is that for all methodologies rural poverty ratio is more than the urban poverty ratio in every year. Comparing other indicators like real per capita GDP, growth rate of per capita GDP and real monthly per capita consumption expenditure we notice same fact regarding rural-urban disparity (Figures 3, 4 and 5).

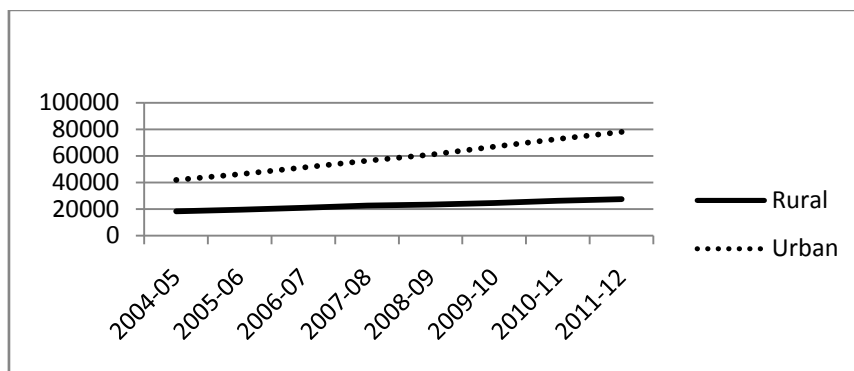


Figure 3: Per Capita GDP (Rs.) (Base Year 2004-05)

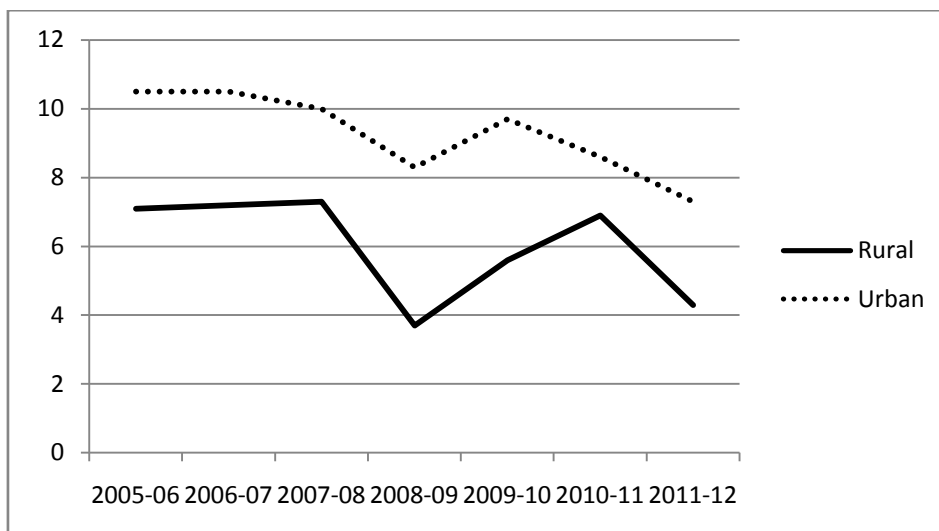


Figure 4: Growth rates of Per Capita GDP in Rural and Urban sectors (%) Base Year 2004-05

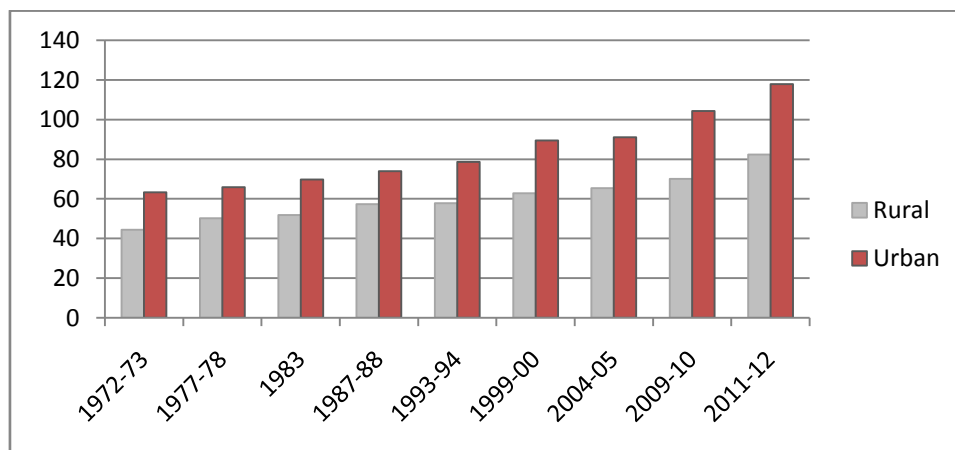


Figure 5: Real Monthly Per Capita Consumption Expenditure in Rs. (1972-73 = 100)

On the basis of literacy rate and health status indicators viz., infant mortality rate, neo-natal mortality rate, life expectancy at birth we observe that the overall situation is improving, but the rural sector is lagging behind the urban sector even in present days [Figures 6 to 9].

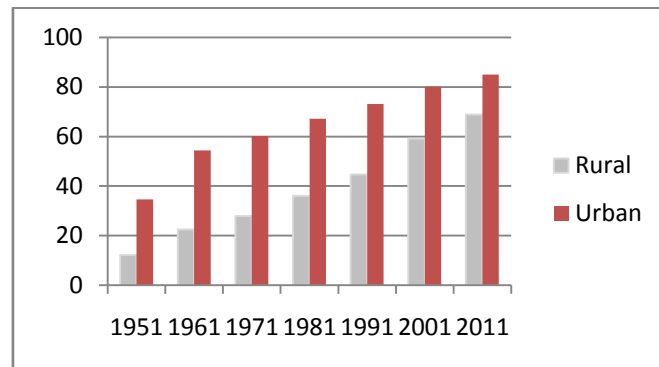


Figure 6: Literacy Rates (%)

Sources for Figures 3 – 6: EPW Research Foundation (2013), India: A Pocket Book of Data Series 2013.

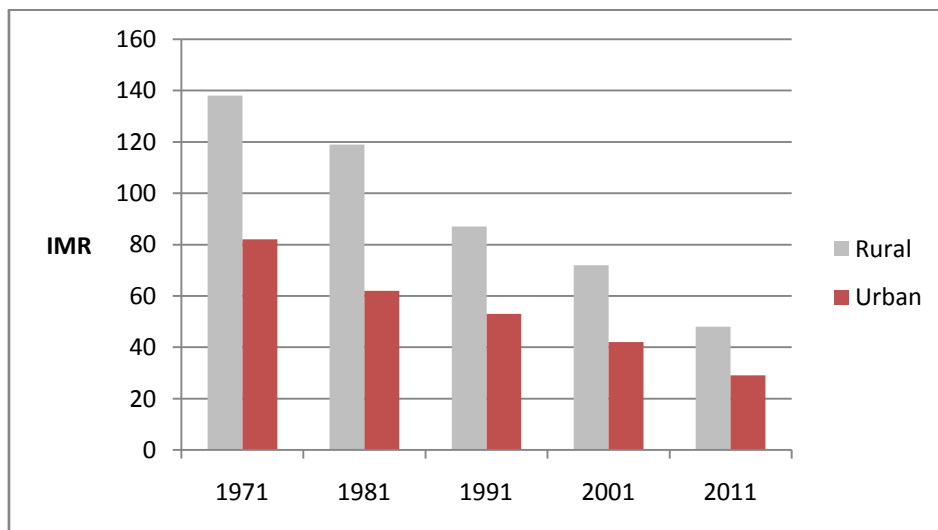


Figure 7: Infant Mortality Rate (per thousand)

Sources: (i) EPW Research Foundation (2013), India: A Pocket Book of Data Series 2013.
 (ii) Government of India, Planning Commission, Data-book compiled for use of Planning Commission, 22 December 2014.

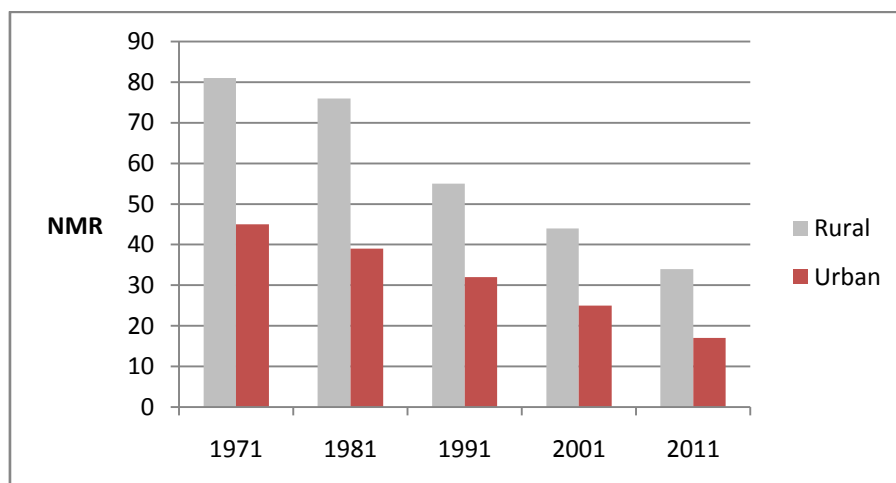


Figure 8: Neonatal Mortality Rate (per thousand)

Sources: (i) EPW Research Foundation (2013), India: A Pocket Book of Data Series 2013.
 (ii) Government of India, Planning Commission, Data-book compiled for use of Planning Commission, 22 December 2014.

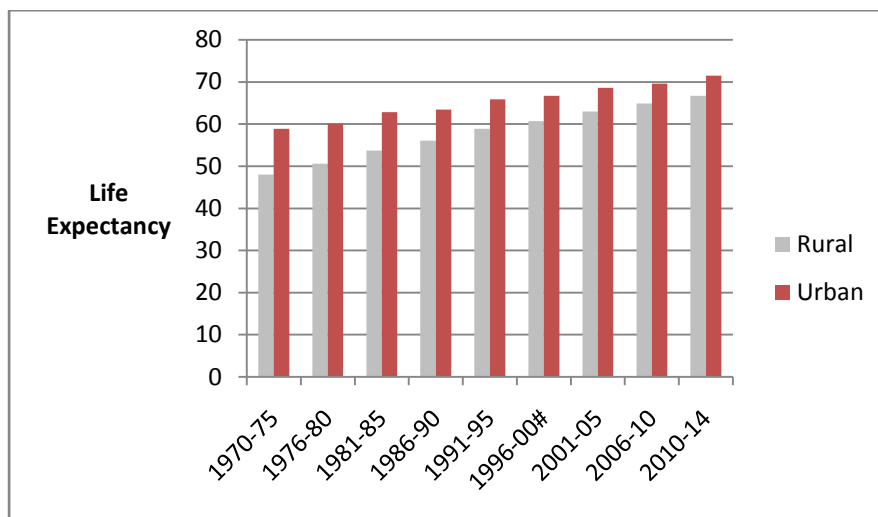


Figure 9: Life Expectancy at Birth (in Years)

Sources: 'Abridged Life Tables – 2003-07 to 2006-10' & 'SRS Based Life Table 2010-14' available at www.censusindia.gov.in accessed 9.10.17 12-40 am

Table 4 depicts that on the basis of access to basic amenities like drinking water, electricity and sanitation also there are gaps between rural and urban India during recent years.

Table 4: Availability of Basic Amenities in 2001 and 2011

Facility	2001		2011	
	Rural	Urban	Rural	Urban
Availability of Drinking Water (%)	73.2	90	82.7	91.4
Households having Electricity (%)	43.53	87.58	55.3	92.7
Households having Bathroom Facility within Premises (%)	22.8	70.4	45	87
Households having Drainage Facility (%)	34.2	78	36.8	82
Households having Latrine Facility within Premises (%)	21.9	73.7	30.7	81.4

Sources: (i) www.censusindia.gov.in accessed 7.10.17 12.40 am
(ii) data.govt.in accessed 9.10.17 4.25 pm

With respect to money wages also we find that in 1999-2000 estimated money wage per day of work was Rs. 51 and Rs. 132 in the rural and urban sectors respectively; in 2011-12 those figures were Rs. 172 and Rs. 392 respectively (Ghose 2016). [21]

Rabindranath observed that resources were not efficiently utilized as production was taking place in small pieces of agricultural land. The experience till the latest agricultural census (2010-11) is presented in Table 5.

Category of holding	1970-71	1980-81	1990-91	2000-01	2010-11
Marginal (< 1 hectare)	0.4	0.39	0.39	0.4	0.39
Small (1 hec – 2 hec)	1.44	1.44	1.43	1.42	1.42
Semi-Medium (2 hec – 4 hec)	2.81	2.78	2.76	2.72	2.71
Medium (4 hec – 10 hec)	6.08	6.02	5.9	5.81	5.76
Large (10hec and above)	18.1	17.41	17.33	17.12	17.38
All	2.28	1.84	1.55	1.33	1.15

Source: Government of India, State of Indian Agriculture 2015-16.

It is seen that average operational holding is not only low but is falling over time. Further, it has been much lower for the marginal and small farmers, and, that too has been falling over time. Recent studies show that the small and marginal farmers of India use mainly family labour. They are characterized by less use of capital and more use of labour and other family owned inputs, and so, higher indices of cropping intensity and irrigation intensity. Even productivity per unit of land is higher for small farms than that for the large farms, which supports the inverse relationship between farm size and productivity per hectare. But, they face the problem of lack of affordability in adopting improved technology; total production is low for them. Rabindranath also noted that small farmers were unable to afford investment in improved technology due to lack of funds.

Rabindranath advocated that due to the existence of a few large farmers and a large number of small farmers, in most of the time, small farmers used to be exploited by the large farmers and used to get deprived socially. Table 6 shows that the proportion of marginal farmers in the country is not only large but is increasing over time. According to the last agricultural census small and marginal farmers constitute 85 per cent of the total number of farmers of the country.

Table 6: Percentage of Different Categories of Holdings

Category of holding	1970-71	1980-81	1990-91	2000-01	2010-11*
Marginal (< 1 hectare)	51.0	56.4	59.4	62.9	67.1
Small (1 hec – 2 hec)	18.9	18.1	18.8	18.9	17.9
Semi-Medium (2 hec – 4 hec)	15.0	14.0	13.1	11.7	10.0
Medium (4 hec – 10 hec)	11.2	9.1	7.1	5.5	4.2
Large (10hec and above)	3.9	2.4	1.6	1.0	0.7

Sources: planning.commission.gov.in/sectors/agri_html/selagri/T1.3.xls accessed 5.4.17 11.30 am

*‘Number and Area of Operational Holdings by Size Group, 2010-11’, Government of India, Ministry of Agriculture, Agricultural Statistics at a Glance 2014.

Rabindranath noted that poor peasants’ dependence on money lenders was one of the causes of their distress and exploitation. So, he suggested the use of cooperatives so that the resource poor small farmers could use their resources jointly which would provide them mutual help. It is seen that the amount of agricultural credit provided by the institutional sources has increased extensively over time. In 1970-71 total direct institutional credit to agriculture and allied services was Rs. 8.18 billion which increased to Rs. 4538.98 billion in 2011-12 (RBI Handbook, Various Issues). Figure 10 depicts that there was a rapid growth in the proportion of

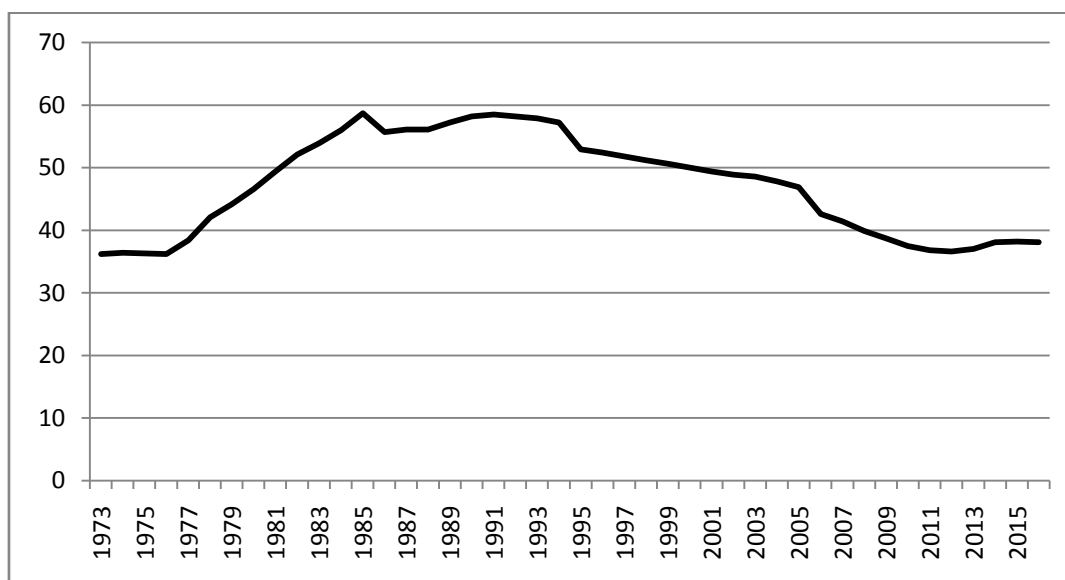


Figure 10: Percentage of Rural Branches of Scheduled Commercial Banks

Source: Self computed using data from Reserve Bank of India (RBI) Handbook 2012-13, 2015-16

rural branches of the commercial banks after the nationalization of banks in 1969. In 1969 only 22.2 per cent commercial banks were located in rural areas. In the 1980s and 1990s more than 50 per cent branches were in rural area. Although the proportion has been decreasing since then, still it is 38 per cent in 2016. In spite of these,

agricultural sector is dependent upon the non-institutional sources of credit as seen from Table 7; even in 2012-13 the share of moneylenders was 25.8 per cent.

Table 7: Share (%) of Institutional and Non-institutional Rural Credit

Source	1951-52	1961-62	1971-72	1981-82	1991-92	2001-02	2012-13*
Institutional	7.2	14.8	29.2	61.2	64.0	57.1	59.8
of which –							
Commercial Banks & RRB	0.8	0.4	2.2	28.0	29.0	24.5	42.9
Coop Societies Banks	3.1	9.1	20.1	28.6	18.6	27.3	14.8
Non-institutional	92.8	85.2	70.8	38.8	36.0	42.9	40.2
of which –							
Moneylenders	69.7	60.8	36.9	16.9	15.7	29.6	25.8
Landlords	1.5	0.9	8.6	4.0	4.0	1.0	0.8

Source: Pradhan, N. C. (2013), 'Persistence of Informal Credit in Rural India: Evidence from 'All India Debt and Investment Survey' and Beyond', RBI Working Paper Series, No. W P S(DEPR): 05/2013. [22]

*Self computed using data from Government of India, MOSPI, NSS Report No. 576(70/33/3): Income, Expenditure, Productive Assets and Indebtedness of Agricultural Households in India, 2013.

Further, the small and marginal farmers' access to credit is very much limited. To be specific, Figure 11 reveals

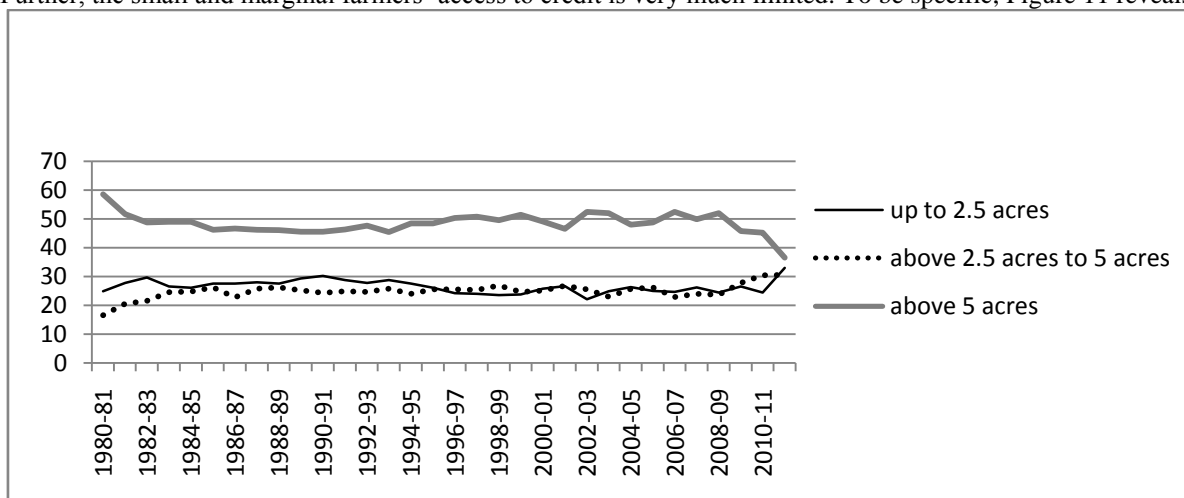


Figure 11: Share (%) of Different Categories of Farmers in the Commercial Banks' Direct Finance to Farmers
 Source: Self computed using data from EPW Research Foundation (2007-08), Agricultural Credit in India: Changing Profile and Regional Imbalances and RBI Handbook for Statistics on Indian Economy, 2014-15.

that even though the proportion of small and marginal farmers is very high their share in the credit given by the commercial banks has been always less than that of the large farmers. According to the last agricultural census held in 2010-11 small and marginal farmers together constituted 85 per cent of all farmers; but their share in the scheduled commercial banks' direct finance to agriculture was less than 25 per cent (RBI Handbook 2014-15). They have problems of having poor access to credit and critical inputs like water, power, seed, fertilizers etc. In case of storing and marketing of products also they face problems. Timely and financially affordable supply of credit to the small and marginal farmers is very much needed for financial inclusion (NABARD, Annual report 2015-16).

It is argued that in the demand side, due to increasing number of marginal and small farmers having low average size of holding, the borrowing capacity of the farmers is less; in the supply side, banks are more interested in mobilizing deposits from the rural area and less interested in supplying loans to them for high transaction and monitoring cost. So, although agricultural credit is continuously increasing, the small and marginal farmers cannot properly enjoy the benefit. Further, as seen from Table 8, among the indebted agricultural households share of marginal farmers is highest. Problem of indebtedness is more as the size of holding is low.

Category of holding	Percentage of indebted farmer households	
	2003	2013
Marginal (< 1 hectare)	61	63.6
Small (1 hec – 2 hec)	18.9	18.4
Semi-Medium (2 hec – 4 hec)	12.5	12.0
Medium (4 hec – 10 hec)	6.4	5.4
Large (10hec and above)	1.2	0.6

Sources:(i) Government of India (2005), NSSO, MOSPI, Situation Assessment Survey of Farmers, Indebtedness of Farmer Households, NSS 59thRound 2003.

(ii) Government of India, Ministry of Agriculture, Agricultural Statistics at a Glance 2014.

Moreover, Figure 12 shows that in 2012-13 the share of non-institutional sources of credits decreases with the

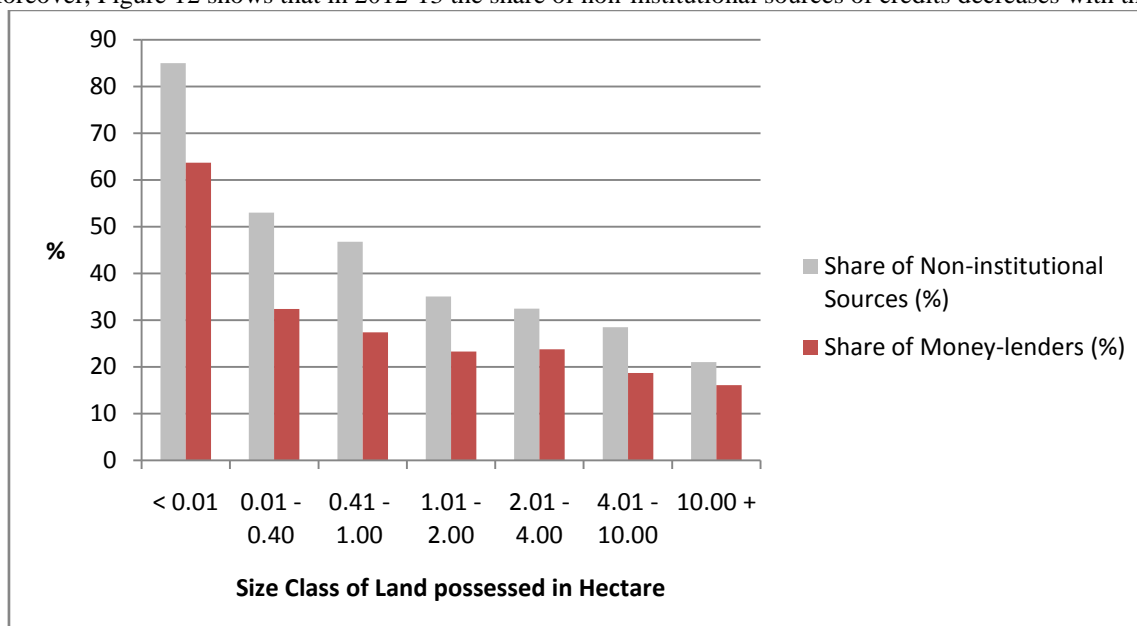


Figure 12: Share of Non-institutional Sources in total Loans taken by the Farmers and Size of Land Possessed by the Farmers

Source: self computed using data from Government of India, MOSPI, NSS Report No. 576(70/33/3): Income, Expenditure, Productive Assets and Indebtedness of Agricultural Households in India, 2013.

increase in the size of land possessed. We also notice that the dependence of the farmers on money-lenders as a source of loan is more as the size of land possessed is less.

The institutional sources of credit are often inadequate for them. Besides this, lack of collateral, complicated procedures of lending, non-availability of loans for unproductive purposes, even the rule of timely repayment of loans are the reasons behind preferring the non-institutional sources of credit over the institutional sources by these farmers (Pradhan 2013). It is argued that commercial banks do not understand the need and requirement of the small and marginal farmers, which the cooperatives do, but cooperatives have inadequate amount of lending resources. So, it is suggested that setting up of a separate credit institution 'combining the local feel and familiarity of rural problems characteristic of cooperatives and the professionalism and large resource base of commercial banks' can remove the shortcomings of rural credit system of India (Mohan 2004: 995). [23]

There is no doubt that the economic condition of the country at present is far better than the condition prevailed during the time of Rabindranath. But, it is observed that the economic environment of the country that prompted Rabindranath to suggest the cooperative principle as an instrument for improving the conditions of the deprived people have not been completely changed till now. Poverty and inequality of income, rural-urban disparities, social and cultural exploitation of poor people are still the concerns of the academicians and policy makers. It can be stated that the ideas of Rabindranath are pertinent even today. The government of India has been encouraging the cooperative development in the country. One of the suggestions made to help the less privileged people of the agricultural sector is farmers' aggregation into cooperatives, associations through which they can get better access to credit and different common resources like water, land, seeds and infrastructure like marketing and storage facilities. One such example is the setting up of Custom Hiring Centres which help in

overcoming these difficulties of the groups of small and marginal farmers (NABARD Annual Report 2015-16, India Development Report 2012-13). These aspects reveal the relevance of Rabindranath's thoughts and initiatives on cooperative system for the development of our country even in the present days.

V. THE HISTORY OF EVOLUTION OF COOPERATIVES IN INDIA

The basic reasons for formation and spread of cooperative system in different countries was that people wanted to get relief from the social and cultural exploitations due to the presence of wide spread inequalities among people in wealth and income distribution. It was gradually realized that people with small amount of resources can unite to form a cooperative so that the jointly owned means can provide credit facilities to each member of the society (Patra and Agasty 2013).

Zeuli and Cropp (2004) provide a comprehensive study of the evolution of early cooperatives in the world. They describe how the economic and social conditions of the poor people of England after the Industrial revolution gave rise to the development of cooperative societies. The success of the cooperatives in England motivated setting up of cooperatives in other parts of the world. Historically, the Rochdale Equitable Pioneers Society of England is recorded as the first cooperative in the world, which started by a group of waivers and some other people of Rochdale in 1844. Later on, cooperative societies were established in other parts of Europe and in America, Germany and Japan.

In India also the history of origination of cooperative movement is quite old. In 1892 Sir Frederick Nicholson, who was engaged in a survey in the then Madras Presidency, recommended setting up of cooperative societies. Subsequently, the first credit cooperative was set up in the Madras Presidency in 1894. The British government's initiatives in this respect was seen through the passing of Cooperative Societies Act in 1904 and the setting up of different committees and commissions for development of cooperative system in the country (Joshi 2014). However, it is argued that although the cooperative movement in India formally began in 1904, informally the system of cooperation were prevalent in several parts of the country named as Devarai or Vanarai, Chit Funds, Kuries, Bhishies, Phads etc.³

Later, the Reserve Bank of India (RBI) was given the responsibility of looking after the matter of rural credit, and credit facilities to provincial cooperative banks were introduced by the RBI. After independence also cooperative movement was encouraged by the government through setting up of various committees to extend the activities of the cooperative system. Subsequently, more comprehensive laws were enacted and several amendments of the laws were also done. National Cooperative Development Corporation (NCDC) was set up exclusively for the expansion and development of the farmers' cooperatives through provision of assistance in supply of inputs, storage and marketing of agricultural product and consumer goods. This institution also helps cooperatives of weaker sections, i.e., the cooperatives comprising the members from women, scheduled castes and scheduled tribes, labour and those working in the handloom, sericulture, poultry, fishery, dairy sectors etc. Further, NCDC provides financial assistance, on liberal terms, to the cooperatively least developed or underdeveloped states of the country. Broadly, cooperative movement in India has been described over four phases. Phase I (1900 – 1930) was marked by institutionalization of the cooperative system through passing of Cooperative Societies Act in 1904 and making cooperatives a state subject mandated by the Government of India Act 1919. In Phase II (1930 – 1950) we observed establishment of RBI in 1934 and initiatives to expand cooperative rural credit system although this phase noted growing sickness of the credit cooperatives. In Phase III (1950 – 1990) economic planning was introduced for faster and equitable growth of the economy. Cooperative movement was emphasized to meet the national objective of rural and agricultural development of the country. Setting up of a number of committees, expert groups, national institutions like NABARD, states' participation in equity capital of the cooperatives and increasing government patronage for reorganization of the system were observed for the expansion of cooperative system. Phase IV (1990 onwards) was characterized by nationwide economic reforms to remove the adverse effects of invasive state patronage, destructive politicization and poor portfolio management in the cooperative system. Steps were taken to improve financial health and poor management system of the cooperatives. Patra and Agasty comment "With a great start in 1894, the cooperative system (in India) took off, diversified immensely in terms of activities, expanded in geographical and population coverage with a dramatic speed and has grown to a kind of people's movement over the last 220 years. Nowhere in the world, not even in UK and Germany where the cooperatives took birth, did the system grow, expand and diversify that rapidly" (2013: 16).

VI. A BRIEF OVERVIEW OF THE PRESENT USE OF THE COOPERATIVE SYSTEM IN INDIA

The public sector of a country is that sector where the different development projects are undertaken and wholly owned by the central or state governments. In the private sector private enterprises are allowed in certain activities. Consequently, both sectors have advantages and disadvantages. Cooperative sector is a mixture of public and private sector having the merits of both of these sectors.

According to the nature of activities they perform the different types of cooperative societies present in India are the following. Consumers' cooperatives are formed to protect the interest of the general consumers by making consumer goods available at a reasonable price by purchasing the goods directly from the producers and thereby eliminating the role of middlemen in the process of distribution. Producers' cooperative societies protect the interest of small producers by making the raw materials, equipment, machineries etc. available. Cooperative marketing societies help in selling the products. Cooperative credit societies provide financial support to the members. Cooperative farming societies are formed by small farmers to work jointly in order to enjoy the advantages of large scale farming. Housing cooperative societies are formed to provide residential houses to the members. Thus, the cooperative institutions are broadly classified into credit and non-credit institutions. There are cooperative credit institutions in the rural as well as urban sectors of India. In most of the states of India rural credit institutions consist of long term and short term credit institutions.⁴ The long term institutions provide credits to the farmers for a period of 5 – 10 years for the purpose of infrastructure development on a security of land mortgaged in favour of a bank. The short term institutions provide credits for a period of 6 months to one year for financing working capital to the farmers. There is a two-tier system in long term credit structure where the primary cooperative agriculture and rural development banks deal at the primary level, and state cooperative agriculture and rural development banks at the state level. In short term credit structure there is a three-tier system where at the base level the primary agricultural credit societies (PACS) deal directly with the individual farmers who are the borrowers. The PACS are the members of the District Central Cooperative Banks (DCCB) and these DCCBs are the members of the State Cooperative Apex Banks (SCAB). PACS are involved in activities like provision of credit, distribution of agricultural inputs and essential commodities, agricultural marketing etc. DCCBs and SCABs are qualified as banks as they accept deposits for lending purpose, but PACS are not banks. SCABs act as the policy-making bodies for short term credit cooperatives in the state and as a link between the national and state level agencies.⁵

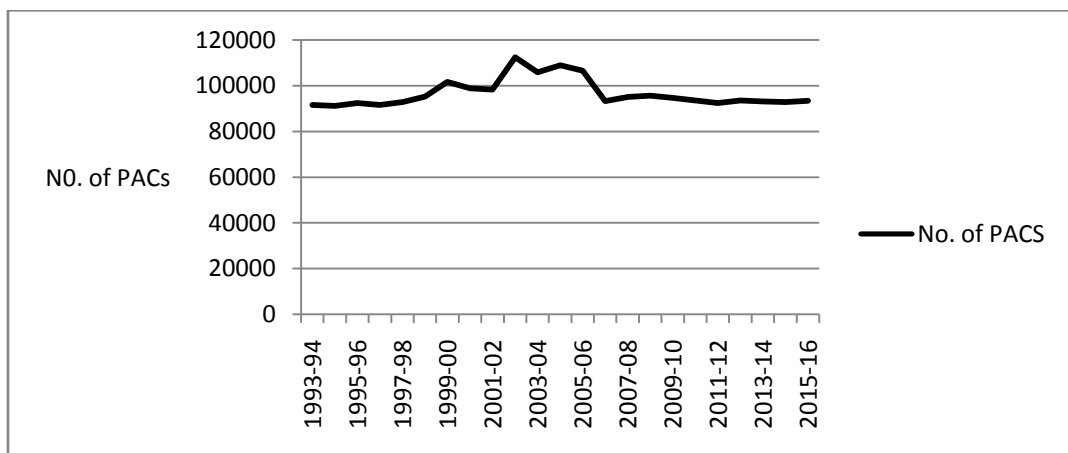


Figure 13: No. of PACS

Source: www.nafscob.org accessed 13.10.2017 4.45 pm

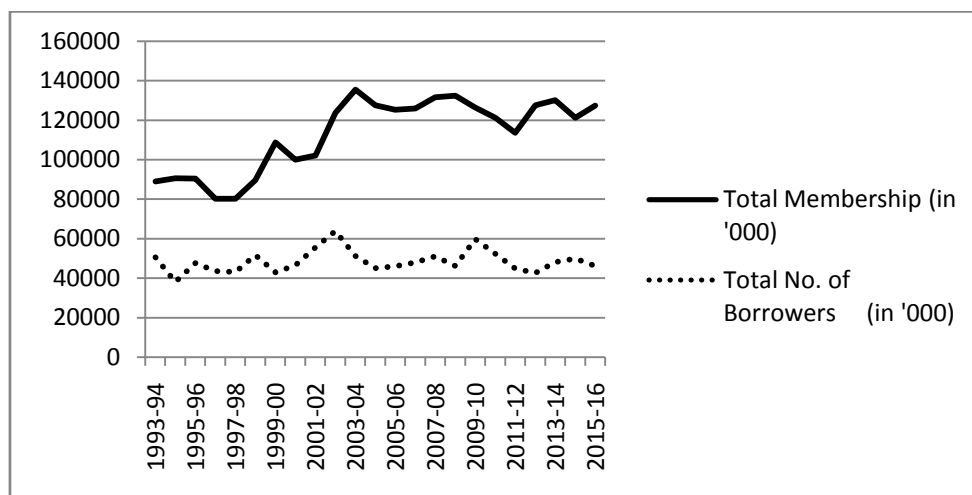


Figure 14: Total Numbers of Members and Borrowers in PACs

Source: www.nafscob.org accessed 13.10.2017 4.45 pm.

Figure 13 reveals that from 1990s till recent period the number of PACs has not changed much. Figure 14 depicts that the total membership shows an increasing trend, although the number of borrowers shows a constant trend in this period. The percentage of villages of India covered by PACs was around 95 till 2014-15, but it is 74 in 2015-16.

From Figure 15 we observe that the amount of loans issued by PACs has increased till 2013-14.

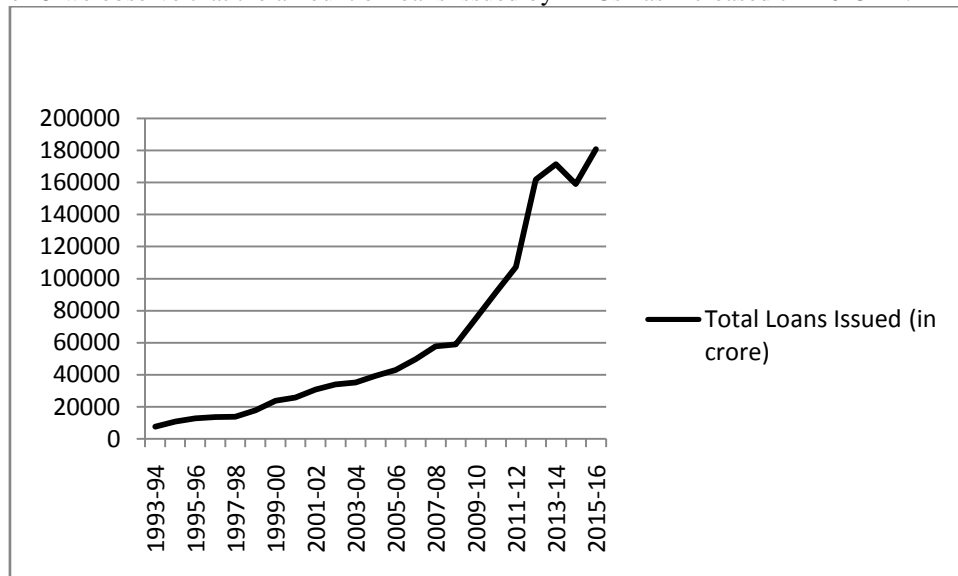


Figure 15: Total Loans Issued (in crore)

Source: www.nafscob.org accessed 5.6.2017 11.30 am

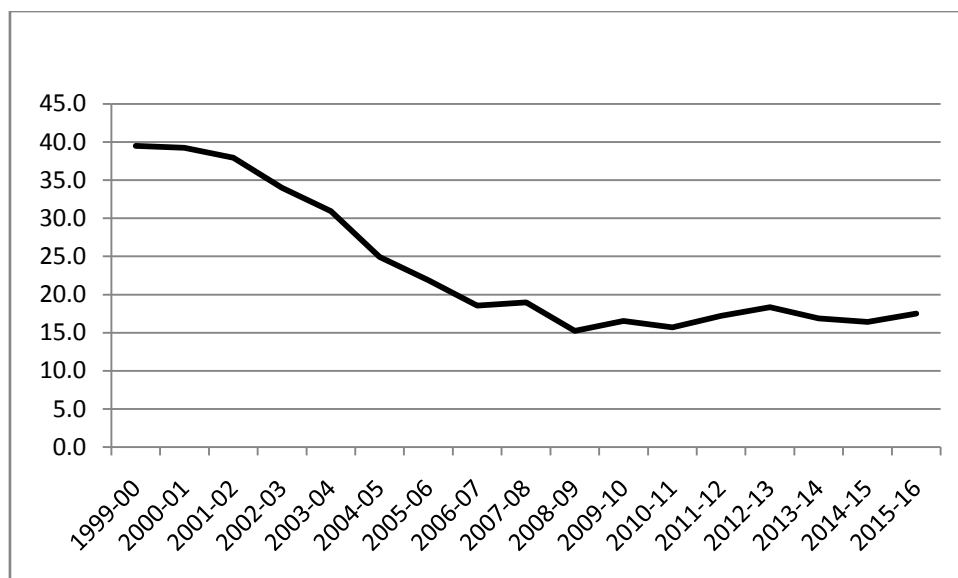


Figure 16: Percentage of Institutional Credit to Agricultural Sector given by Cooperatives

Source: Self computed from 'Table 14.9 Flow of Institutional credit to agricultural Sector' Ministry of Agriculture, Agricultural Statistics at a Glance 2014, Oxford University Press, New Delhi and NABARD Annual Report 2015-16.

But Figure 16 reveals that the share of cooperatives in total institutional credit given to agricultural sector decreased till 2008-09 and beyond that it has remained only 15 to 17 per cent till 2015-16. It has been noted that cooperatives in India suffer many problems, viz., poor governance, infrastructural weaknesses, operational inefficiencies and the consequent financial implications (Joshi 2014). It is also argued that, on the one hand, Indian cooperatives are very much depended upon the State as a source of fund, on the other, sometimes too much control by the State affects the working of the cooperatives adversely (Mukherjee 2011). Thorner (1962) argues that cooperative system can help the poor people effectively only if certain conditions are fulfilled. First,

curtailing the power of the affluent people of the rural area is very much essential; second, the Government should take an active role to work in favour of the general public and also should be conceived the ordinary people as such. [24]

VII. CONCLUDING REMARKS

This paper attempts to review Rabindranath's idea on cooperative principle in the context of present Indian economy. Rabindranath was very much concerned with the existence of widespread poverty in the country, especially in rural India. He pointed out on the deprivation of the poor people of rural area from basic needs of life, income and wealth inequalities between rich and poor, and, between villages and towns, exploitation of the deprived people of the rural area by the affluent people etc. He wanted to find the ways out to get rid of the miserable and helpless conditions of the poor people of the country.

He observed wastage of time and factors due to farming in small pieces of land, use of old, primitive mode of technology for agricultural production due to inability of the poor peasants to invest in those and lack of knowledge about better knowhow, their dependence on the moneylenders and the consequent social and economic exploitation. Thus, he argued that the only way out is implementation of cooperative system, which means putting the resources of all members jointly, so as to enjoy larger benefit for every member.

The present study shows that till the present time our country has not been completely able to get rid of the evils of the society which were noted by Rabindranath during his time. NABARD comments that "The increasing fragmentation and marginalization of agricultural land is making farming an unviable activity" (Annual Report 2015-16:14). Rural-urban disparity, inequality of wealth and income among the people, poor access to credit and other needs of the small and marginal farmers are still pertinent issues today.

The scope of cooperatives as an instrument to fight against these problems is emphasized by the policymakers as well as academicians of the country. The International Cooperative Alliance started to observe the International Cooperative Day from 1922. From 1955 the Government of India has been observing cooperative week during 14 – 20 November every year. The purpose of these celebrations is to discuss the activities and problems of cooperative institutions, suggesting the ways for their improvement, so that more people get involved with the cooperative movement. In spite of putting emphasis on cooperatives and taking initiatives for its development it is observed that the potential of cooperatives are not fully utilized in our country. Evaluating the successes and failures of Indian cooperative system and suggesting any policy for improving the situation are beyond the scope of the present paper. Our observation is that Rabindranath's advices to utilize the cooperatives for the development of the country, particularly for the rural economy, are relevant even in the current Indian economy and our policymakers also put emphasis on the scope of cooperative system throughout the planning period.

However, Rabindranath opined that the functions of cooperatives should not be confined to act as credit-supplying institutions only. He wanted implementation of the cooperative principle such that all activities in rural life are conducted with mutual help among the people.

Notes:

¹ Cultivators and agricultural labourers constitute respectively 33 per cent and 39.3 per cent of rural population.

² For an extensive description of the background of setting up of the Centre and the success and failure of the project see O'Connell (2012). [17]

³ Chapter 44, Cooperative Societies, mospiold.nic.in/CooperativeSocieties-write-up.pdf accessed 4.9.16 10.30 am.

⁴ In Andhra Pradesh there is an integrated institution for short term and long term credit.

⁵ shodhganga.inflibnet.ac.in/bitstream/10603/37574/.../08_chapter%.202.pdf accessed 6th April 2016 2.25 pm.

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